



UBC
INVESTMENT MANAGEMENT

2022
Annual Report

A close-up photograph of a cluster of blue flower buds on a stem, set against a teal background. The buds are in various stages of development, with some showing the beginning of petals.

Transformation

How we're changing to meet the
needs of a changing world



INTRODUCTION

Transformation

UBC Investment Management Trust Inc. is constantly evolving to reflect the changing priorities of The University of British Columbia (UBC) community and the broader forces of change that shape the global economy. Founded in 2003, UBC Investment Management combines investment expertise with disciplined management to fulfill our clearly defined mandate: growing and protecting the assets entrusted to us by UBC and its stakeholders.

During 2021–2022, the global economy regained momentum following the shock of the pandemic in the previous year. However, the impact of COVID-19 and its variants have continued to create volatility in investment markets — against a backdrop of inflationary pressures, geopolitical tensions and other drivers of economic uncertainty. As the pandemic now gradually recedes, it's clear that the world has been transformed forever.

UBC Investment Management is responding accordingly, adjusting our strategic outlook to embrace the opportunities and challenges of the new global context. This annual report details our progress in the first year of a comprehensive three-year transformation plan, as we continue evolving the structures, processes and practices that support our investment decision-making. As always, we remain focused on the future, ensuring our long-term view anticipates further transformation to come.



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Keeping Pace with Change



Lisa Pankratz FCPA, FCA, CFA

UBC Investment Management continued to deliver strong returns in 2021–2022, after a welcome rebound in global markets following the initial negative impacts of COVID-19. Still, institutional investors in Canada and around the world faced significant challenges throughout the past year. The persistence of the pandemic, combined with broader economic and geopolitical disruptions, further complicated an outlook already coloured by uncertainty. Faced with a range of concerns, from the threat of a global recession to the intensifying effects of climate change, investors must be more agile than ever in responding to volatility while remaining steadfastly focused on the longer view.

In this challenging environment, the Board of Directors of UBC Investment Management continued working closely with the management team, and with UBC’s senior leadership team and Board of Governors, to fulfill our purpose: pursuing excellence in investment management for our endowment and pension internal partners. The progress we’ve made, as detailed in this annual report, shows the depth of our collective commitment and is a testament to the value of the strategic foundation we’ve created together.

Last year’s report showcased our development of a new investment framework for UBC Investment Management. This framework incorporated many elements, including the adoption of an objective benchmark of performance, the Reference Portfolio, which clarifies the governance structure around our collaborative decision-making. In 2021–2022, the first year of a three-year transformation plan, our focus shifted to implementing the new investment framework and strengthening key components of this strategic framework.

A STRATEGIC EVOLUTION

UBC Investment Management’s Board of Directors (Board), with the assistance of the investment team, undertook a comprehensive asset mix review for UBC’s Main Endowment Pool during the past year, along with a rigorous climate risk analysis. Based on the team’s recommendations, the Board approved a new Strategic Portfolio and the structure of investment programs and endorsed a series of changes in manager selection — all aimed at delivering strong returns, in the context of approved risk tolerance, to UBC and its stakeholders over the long term.

This strategic evolution has been guided at every step by the new investment framework. But its success ultimately hinges on quality of execution — that is, on the knowledge, skills and professionalism of the people doing the work. The headway we’ve made in building out the expertise of the investment team, and in enhancing the processes and systems required to pursue more nuanced strategies, is already generating tangible results. As this maturation continues, UBC Investment Management is rightly earning recognition as an industry leader — not only among university investment offices, but among institutional investors generally.

RESPONSIBLE TO THE CORE

The leadership role of UBC Investment Management is particularly evident in the realm of responsible investing. Our asset mix review included a detailed analysis of climate risk — one of the first such assessments conducted by a Canadian institutional investor. The resulting insights from this work have already informed and will continue to shape how the portfolios are constructed. They’ll also guide our review and selection of external managers and how we collaborate with them to ensure they apply the same responsible investing lens in structuring, managing and reporting on the investments they make on our behalf.

This is just one aspect of our ongoing integration of environmental, social and governance (ESG) factors into all investment decision-making. To underline a point we’ve highlighted in previous reports — and as Dawn Jia, the President and CEO of UBC Investment Management, reiterates in her message in this report — considering ESG risks is no longer simply a complement to traditional risk assessment; it’s now core to the practice of sound asset management. We are committed to executing our responsible investing strategy, delivering value while meeting the expectations of UBC and its increasingly climate-aware stakeholders including students, faculty and government.



Keeping Pace with Change

(CONT'D)

At a broader level, the leadership shown by UBC Investment Management reinforces and magnifies UBC's longstanding commitment to advancing sustainability, both as an institution serving its direct stakeholders and as a globally recognized centre of academic and research excellence. That this comparatively small investment team, working with handpicked external managers, is making such great strides in responsible investing is a success story the entire UBC community can share with pride.

READY FOR THE FUTURE

The considerable progress we've made in executing transformation on behalf of our internal partners reflects the exceptional efforts of the UBC Investment Management team led by Dawn. This relatively small team successfully achieved a number of significant milestones in the past year. The Board continues to be impressed with the outstanding quality of team members' work and their dedication to each other, to our internal partners and to the UBC community.

The spirit of change continued at the Board this year. We welcomed two Independent directors, Tom Bradley and Amanda Farrell. Tom has extensive public markets and leadership experience, currently as Chair and Co-Founder of Steadyhand Investment Funds and formerly as President and CEO of Phillips, Hager & North. Amanda, as President and CEO of Transportation Investment Corporation (TI Corp), brings expertise to the Board in all aspects of infrastructure investment including risk management.

On behalf of the Board, I'd like to express our gratitude to two UBC-affiliated directors who are stepping down: Orla Cousineau and Peter Smailes. Orla, who is retiring from her position as UBC's Executive Director of Pensions, has contributed to all of the Board's major decisions since beginning her term in

2015. Peter, who for the past seven years has shared his invaluable strategic perspective and leadership skills as UBC's Vice-President, Finance and Operations, is leaving UBC to take up a new role at another academic institution. On an interim basis, we welcome Yale Loh, Treasurer of UBC, to the Board. Yale has more than 25 years of capital markets and corporate finance experience.

This will be my last message as Chair, a position I've been fortunate to hold since 2017. During a total of seven years on the Board, I've had the opportunity to work with many talented and dedicated people — including my director colleagues, the university executive, the UBC Board of Governors and, of course, the entire team at UBC Investment Management — as this organization has matured into a sophisticated and respected investment management company. I especially want to acknowledge our CEO, Dawn Jia, whose investment acumen, leadership abilities and commitment to fulfilling our collective vision make her such an exemplary leader and colleague. It has been an honour to work with her.

My successor as Chair, Gordon MacDougall, brings deep investment and leadership expertise and a wealth of experience to the role. I wish him every success and look forward to seeing the continuing transformation of UBC Investment Management. This organization is built for the future — and ready to keep pace with change.

LISA PANKRATZ, FCPA, FCA, CFA
Chair, UBC Investment Management Board of Directors

Our Transformation Continues



Dawn Jia CFA

During the past year, investors once again had to navigate high levels of volatility in global markets. After an encouraging rally when the pandemic appeared to be receding, subsequent waves of COVID-19 variants brought further economic disruption, magnified by ongoing supply chain challenges, protectionist trade measures and other factors. In this time of uncertainty, one thing is clear: the world has been dramatically transformed, and that transformation continues. Whatever lies ahead, economic conditions will not be reverting to the pre-pandemic status quo.

As we've responded to this changing context, our organization has been going through changes as well, beginning with our name, which we've simplified to UBC Investment Management. This refinement of our brand reflects the deeper evolution of our strategy and practices as a professional investment management company.

In 2021–2022, we initiated a comprehensive three-year transformation plan. Year one was focused on enhancing returns as we mapped out a more robust investment framework anchored by the Reference Portfolio — a set of public market assets we use to gauge risk and measure the value gained (or lost) in UBC's Main Endowment Pool. This refreshed framework also clarifies the tiers of governance and accountability that guide our decision-making and ensure all investment activities are transparent and understandable to our stakeholders.

In year two, the focus of our transformation effort will shift to strengthening how we evaluate and manage risk. For an analytically focused organization like ours, risk management entails far more than the avoidance of negative outcomes. Asset allocation, which determines up to 90% of returns, is essentially a risk-budgeting process: the potential exposure from specific

investments is weighed against the prospects for adding value to the portfolio. Our risk strategies are therefore constantly evolving to reflect dynamic markets and a changing economy. So too are the processes by which we make decisions and put them into action.

As a result of these efforts, our transformation is on track and already creating positive impact both in our operational performance and in net portfolio returns, which have remained strong despite the often-challenging environment.

As we look ahead to the final year of our three-year transformation plan, in 2023–2024 we will sharpen our focus on enhancing and refining processes and procedures across our investment management and business practices, along with the continued refinement of portfolio construction and risk management. With our portfolio structure, our investment framework and our risk and operations aligned, we will be in a position of strength to respond to changing market conditions and deliver enhanced net returns for our internal partners to support their critical financial objectives.

RESTRUCTURING OUR PORTFOLIOS

In pursuing our goal of investment management excellence over the past year, we've focused particularly on portfolio construction, starting with public equity holdings. Following a thorough review of our external investment managers, we believe the revised roster has the requisite skills and proven track record to generate consistently strong returns. Our public equity portfolio is better balanced in terms of investment styles, with exposures spread among growth, value, low-volatility and other strategies.

We've also made great strides in deploying capital into private debt, infrastructure and real estate assets, though there's more work to be done in this regard — and also in re-evaluating our approach to fixed income investments. Here again, a thorough review of our current managers is fundamental to maintaining optimum returns over the long term.

COMMITTED TO INVESTING RESPONSIBLY

Another key aspect of our manager selection and due diligence process is examining how a potential partner firm integrates environmental, social and governance (ESG) considerations into its investment activities. This is a cornerstone of our responsible investing strategy, which was endorsed by the UBC Board of Governors in the fall of 2020. Over the past year, we've become even more systematic in our assessment of ESG factors, including potential climate risks, as we looked at adjustments to the asset mix in the

Our Transformation Continues

(CONT'D)

Main Endowment Pool. We also fulfilled our commitment to more in-depth disclosure and reporting with the publication of our inaugural Responsible Investing Report, which details our progress through 2021 in translating UBC's sustainability goals into concrete investment actions.

One of our immediate priorities is to encourage privately held companies to provide more detailed ESG metrics. Most publicly traded enterprises are responding to pressure from regulators and the investment community for uniform, high-quality ESG data. Professional investors rightly expect the same from private companies, so we can better assess their performance and, with the benefit of analytical insights, urge stronger adherence to responsible investing standards.

To that end, in March 2022 UBC Investment Management joined the ESG Data Convergence Project, a collaborative effort among institutional investors whose assets under management total more than \$9 trillion USD. The aim of this global initiative is to arrive at a standardized set of ESG metrics for private markets. This in turn should yield more reliable, performance-based data from privately held companies, enabling investment professionals to benchmark progress and make better-informed decisions. It's a promising project, and one that underlines the value of partnership in gaining better ESG insights and advancing the aims of responsible investing.

That same collaborative spirit was evident this past year as we worked with the UBC Staff Pension Plan (SPP) Board to develop a responsible investing framework and roadmap for the SPP. This valuable pooling of expertise will continue to bear fruit in the coming year.

PREPARED FOR UNCERTAINTY

In last year's annual report, we outlined how our investment strategy had evolved to meet the challenges of a global economy that was experiencing disruption even before the pandemic. As a result, the level of returns we'd seen in the previous decade would not be sustainable going forward. To achieve the goals defined for UBC's endowment and pension assets, we would have to be even more rigorous in our investment and risk management practices while exploring new avenues of opportunity.

The challenging outlook was only reinforced in 2021–2022 as investors worldwide faced rapidly rising inflation. For asset owners like UBC, with required investment returns that are linked to inflation, surging prices erode capital cushions that could be deployed elsewhere — in UBC's case, to fuel critical research, assist with student affordability initiatives and enhance employee benefits. While we entered this period in a position of financial strength, the potential for prolonged inflation and economic slowdown beyond widely accepted assumptions is a risk we must guard against on behalf of our internal partners.

It's not wise (or even possible) to make predictions in such a complex economic environment. As we grapple with inflation that's driven less by rising demand than tightened supply, central banks continue using the only lever available to them: higher interest rates. Meanwhile, unemployment in many countries is at record lows as key sectors struggle to recruit workers. National governments differ widely in their domestic fiscal strategies and the trade policies they extend abroad. Geopolitical conflicts, from Russian's invasion of Ukraine to heightened tensions between the U.S. and China, threaten stability and economic growth. And underlying all these factors is the growing impact of climate change.

In the midst of all this uncertainty, we're confident that our redesigned investment framework — and our close attention to all aspects of the decision-making process — will continue to advance the investment goals of our internal partners.

Of course, we don't have a crystal ball. But as we focus on managing risk and attributing the drivers of financial returns, we're able to anticipate and respond to changing economic conditions in our portfolio construction. For example, in our real assets portfolio we've moved away from investments in our portfolio construction that are too exposed to rising interest rates, instead favouring managers whose value-add strategies are aimed at improving properties and enterprises to yield higher income. We've also been deploying capital in private

lending strategies that have lower sensitivity to interest rates, and that derive a portion of returns from fees that are not correlated with the markets. More broadly, we've restructured all our portfolios to ensure they're better positioned to weather volatility and deliver consistent, sustainable returns into the future.

TALENT, VISION AND PARTNERSHIP

Developing our transformative strategy required detailed analysis and planning. What will ensure its success is our team of talented, hard-working people. Over the past two years, we've refreshed our organizational structure and created several new roles with specialized skillsets. When our three-year plan is fully implemented, we'll have the right blend of capabilities and experience to pursue the sophisticated investment strategies we've mapped out for the future.

I want to thank everyone on the team for their professionalism and focused effort throughout 2021–2022, despite the continuing disruption of the pandemic. It's the collective commitment of this organization that drives us forward.

I'd also like to thank our Board of Directors for their strategic guidance and steadfast support. And I especially wish to acknowledge Lisa Pankratz, a Board member since 2015, who leaves the Board as of June 2022 after serving as Chair for the past five years. Lisa's insights, passion and dedication have been essential in shaping the evolution of UBC Investment Management — and I'm personally grateful for her wise counsel during my transition into the CEO's role. That legacy of collaborative support is carried on by our new Chair, Gordon MacDougall, whose investment expertise and executive experience have made him an invaluable Board member since 2016.

Lastly, on behalf of the entire team I want to express our gratitude to UBC's senior leadership and Board of Governors for their vision, trust and partnership. In a fast-changing economic environment, as the needs of the university's diverse stakeholders continue to evolve, the ongoing transformation of UBC Investment Management mirrors that of the global centre of learning and research we're in business to serve.

DAWN JIA, CFA
President and Chief Executive Officer



IN REVIEW

Investment Highlights

AS OF MARCH 31, 2022

UBC ENDOWMENT — MAIN ENDOWMENT POOL

5-year return

7.3%

10-year return

8.8%

UBC INVESTMENT MANAGEMENT ASSETS UNDER MANAGEMENT

\$5.6 billion

UBC STAFF PENSION PLAN

5-year return

6.5%

10-year return

7.8%

Increase in assets under management (one year)

\$471 million

Increase in investment returns (one year)

\$280 million



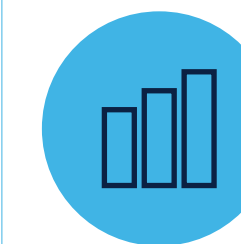
Public equity portfolio

Completed transition of manager lineup to higher-performing strategies and more diversified investment styles



Private debt, infrastructure and real estate portfolios

Significant capital deployment aligned with redesigned portfolio construction



Private equity portfolio

Established new strategic relationships to carry out private equity strategy



Transforming Our Brand

This annual report introduces a refinement of our corporate name, as well as a new visual identity. While our legal name remains unchanged, going forward we'll be doing business as **UBC Investment Management**. The evolution of our brand reflects our continuing pursuit of excellence in investment management on behalf of The University of British Columbia. And it reinforces the vital link between what we do and who we do it for — the UBC community. For more on our transformed brand and the organization behind it, please visit our redesigned website: ubcim.ca.





Our Company's Core Beliefs

Focused on our purpose and vision, anchored by our values
and guided by strong principles of governance

UBC Investment Management was established in 2003 to provide comprehensive portfolio management and advisory services to The University of British Columbia. A wholly owned subsidiary of the university, we are responsible for investing the Main Endowment Pool, the Staff Pension Plan, the Working Capital Fund and other portfolios. Our goal in managing these assets is to maximize net risk-adjusted returns commensurate with the objectives, liability requirements and risk parameters of each fund. As we work on behalf of our stakeholders, we ground our decision-making in a clear set of principles:



Purpose

Pursuing excellence in investment management on behalf of the funds we manage

Vision

To be a leading investment office

Mission

To be a trusted and innovative partner by:

- financially supporting UBC's research, students and educational programs
- providing a sustainable pension for current and former employees
- supporting UBC's responsible investing goals.

Values

Focused

- We are driven to produce superior risk-adjusted returns.
- We strive to excel in the diligent selection and monitoring of our investment partners.

Client-centred

- We foster a culture of transparency and service excellence.
- We value clear communications and pursue meaningful interactions with our internal partners.

Trusted

- We seek to forge partnerships built on trust and respect with our internal partners, our investment managers and service providers.
- We collaborate with investors and organizations that share our investment objectives and values.

Continuously improving

- We seek to continuously adopt more agile, efficient structures and processes to enhance our competitive advantage.
- We steadily acquire additional knowledge, techniques and insights to refine our investment approach in changing market conditions and landscape.

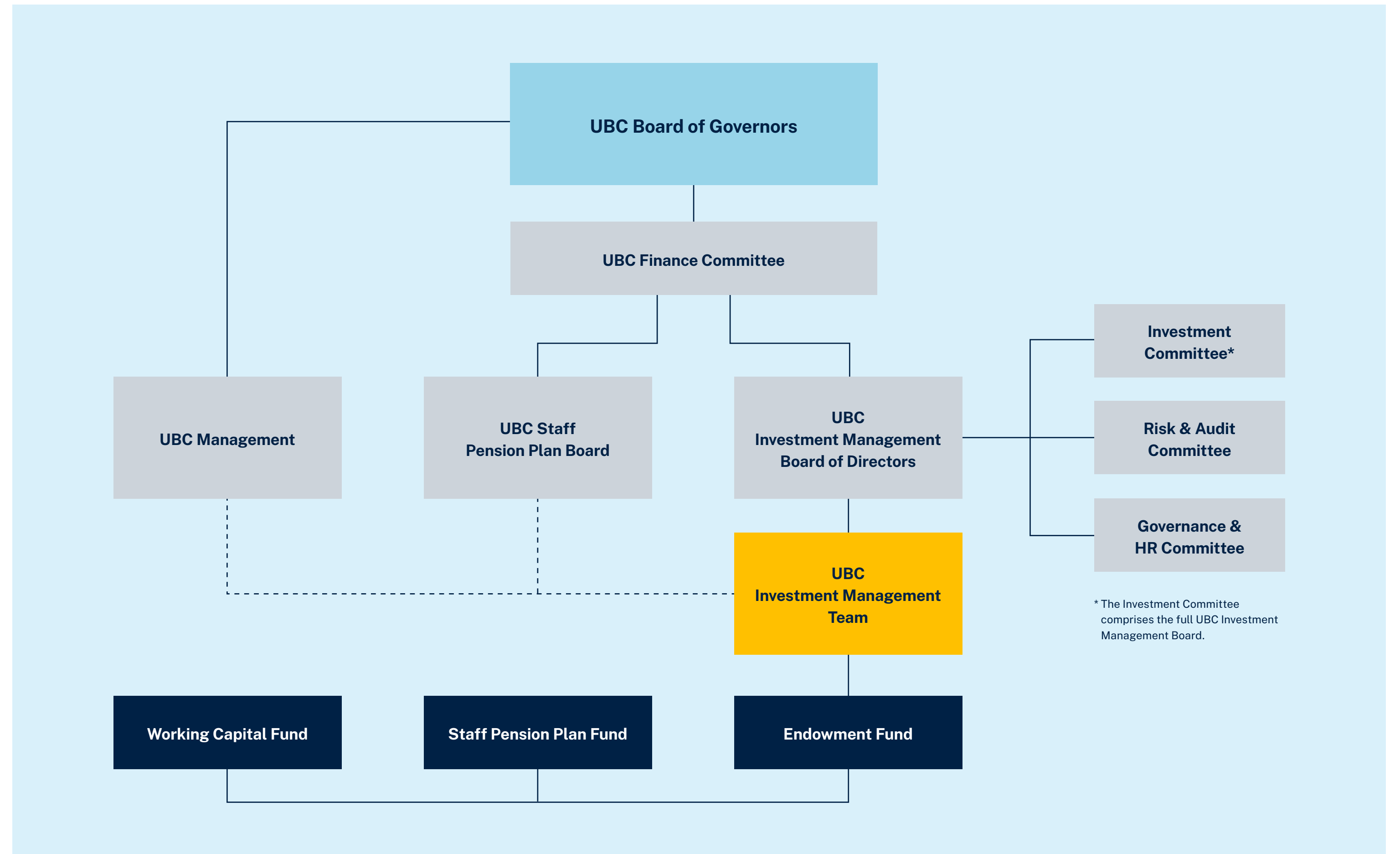
One Team

- The asset we value above all others is our people.
- We foster diversity, equity and inclusion, ensuring everyone feels welcome and has the same opportunity to learn, contribute and realize their potential.
- We work as one team, collaborating to create a more nimble, responsive and effective organization.



Our Governance Structure

The University of British Columbia has overall responsibility for managing UBC's investment portfolios and the Staff Pension Plan. UBC's Board of Governors appoints the UBC Investment Management Board of Directors, which in turn delegates our President and Chief Executive Officer to oversee the day-to-day administration and investment of the funds. In our investment activities, UBC Investment Management is granted specific responsibilities and powers within a clearly defined governance and organizational structure.



The Board's Responsibilities



UBC Investment Management's Board is currently composed of nine directors appointed by UBC's Board of Governors. Three are UBC-related directors — senior university executives and representatives of the Board of Governors and the Staff Pension Plan Board. The other six independent directors are members of the business and investment community recommended by our Board and approved by the UBC Board of Governors.

Meeting at least quarterly, the Board of Directors provides oversight and governance to UBC Investment Management. The Board has three standing committees: Investment, Risk & Audit, and Governance & Human Resources. In addition, the Board strikes working groups on an ad hoc basis to oversee and guide significant investment-related projects.

The Board discharges its main investment-related responsibilities through the Investment Committee, which comprises all directors. Its responsibilities include:

- Formulating investment beliefs to guide the development of investment policies.
- Recommending investment policies for all UBC funds — with the exception of the Staff Pension Plan — to the UBC Board of Governors, taking into account each fund's objectives and risk tolerances. This includes recommending the Reference Portfolio, benchmarks and policy-level investment constraints.
- Approving Strategic Portfolio target asset allocations for all UBC funds, with the exception of the Staff Pension Plan. Ensuring the appropriateness of long-term asset mixes — relative to both obligations/liabilities and return objectives — and advising if these are not aligned.
- Approving UBC Investment Management's asset class Investment Programs.
- Monitoring and evaluating our investment performance and operational cost-efficiency against objectives and benchmarks.





UBC Investment Management's Responsibilities



Our close-knit professional team takes a highly collaborative approach to managing the assets of the university, leveraging our collective knowledge and experience as we execute our strategy and continuously improve our systems and processes — all in pursuit of sustainable long-term growth for our portfolios.

UBC Investment Management's internal partners across the university establish return requirements and risk preferences that form the foundation for investment policy recommendations for each portfolio — with the exception of the Staff Pension Plan (SPP). Our staff presents these recommendations to the UBC Investment Management Board for review. The Board then recommends investment policies to the UBC Board of Governors for approval.

The policy for pension-related investments is prepared by the SPP Board — in collaboration with UBC Investment Management and the plan's own investment and pension consultants — and then recommended to the UBC Board of Governors for approval.

Once a fund's investment policy has been approved, our team is responsible for implementing the Strategic Portfolio asset mix. Rather than making direct investments, we work with top-tier external investment managers to implement the asset mix according to our portfolio construction. (For more details on manager selection, see page 29.)

The UBC Investment Management team works under the direction of the President and CEO with oversight by our Board. Our responsibilities include:

- Developing UBC's long-term investment policies for each fund's obligations and risk tolerances, including the Reference Portfolio and the Strategic Portfolio, and recommending these to our Board (for ultimate submission to the UBC Board of Governors).
- Designing and recommending Investment Programs, and specifying investment objectives, operating parameters and benchmarks for distinct asset classes to our Board.
- Implementing the Strategic Portfolio asset mix for each fund, utilizing active management to generate higher risk-adjusted returns.
- Evaluating each portfolio's performance to ensure effective implementation of the long-term policy asset mix.
- Evaluating the appropriateness of asset mixes across our portfolios relative to liabilities and return objectives.
- Evaluating, hiring, monitoring and, when appropriate, dismissing external investment managers.
- Ensuring efficient and cost-effective day-to-day operations.

We report regularly to the UBC Investment Management Board, the SPP Board and the UBC Board of Governors.



Our Evolving Investment Strategy

Balancing analytically rigorous investment practices with disciplined, nuanced risk management.

Since our founding in 2003, UBC Investment Management has been a trusted steward of The University of British Columbia's endowment and pension assets, generating strong returns for our internal partners and the broader UBC community.



INVESTMENT STRATEGY

During 2021–2022, it became clear that some of the key economic assumptions shaping our investment strategy over the past decade will no longer apply in the post-pandemic world. We must be prepared for greater volatility — within a broader context of social, economic, technological and geopolitical change whose long-term outcomes are impossible to predict with precision.

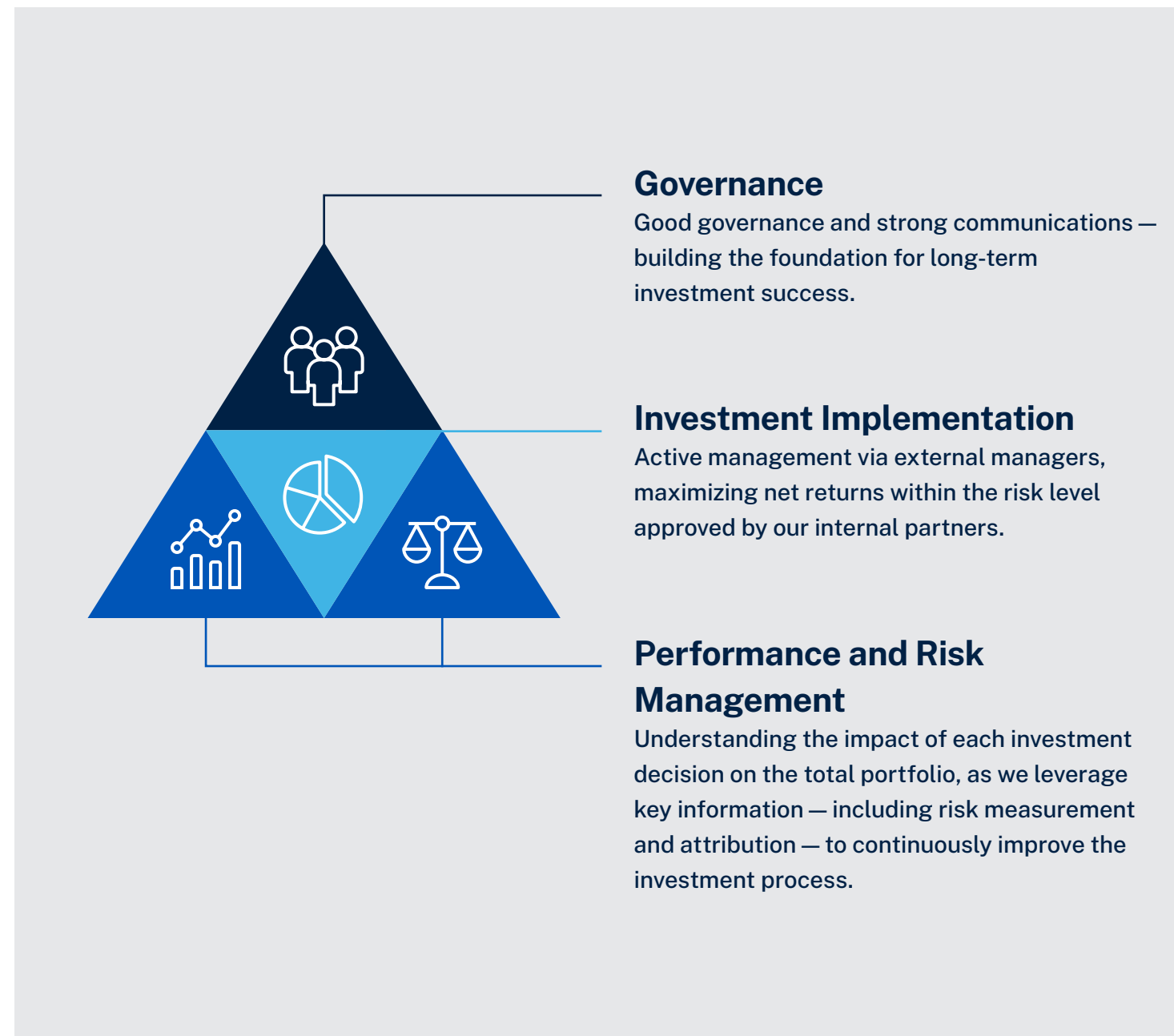
This is not a radical change of outlook for UBC Investment Management. Delivering sustainable value in the face of uncertainty has always been core to an organization that is (to echo the theme of an earlier annual report) built for stability. At the same time, we know that maintaining resilience and continued strong performance is, by definition, a work in progress.

To focus our efforts and give them added momentum, in 2021–2022 we began implementing a comprehensive three-year transformation plan. The first year was focused on enhancing returns. We developed a more robust investment framework that maps out our end-to-end investment process and measures returns against relevant benchmarks. The framework also clarifies the governance structure around our investment activities, defining the tiers of decision-making and accountability among UBC Investment Management, our Board of Directors and the UBC Board of Governors.

With that foundational work completed, in 2022–2023 we will turn our attention to another key pillar of our investment strategy: the assessment and management of risk. Weighing potential exposures against anticipated returns is the essence of successful investment management and the principal driver of long-term value creation.

This is what transformation looks like at UBC Investment Management: strategy moving forward in a series of thoughtfully considered concrete steps, each building on the last; along with progress measured by solid, reliable returns that support current needs while opening up new opportunities for the university and its stakeholders.

Our Total Portfolio Investment Framework



The investment framework developed by UBC Investment Management employs a total portfolio approach. It's designed to clarify decision-making at each step of the investment process, integrating transparent measurement processes to facilitate continuous improvement. The framework provides both bodies that oversee our activities — the UBC Board of Governors and our own Board of Directors — with the information they need to assess the effectiveness of all investment decisions. We believe that good governance is foundational to long-term investing success.

Our approach focuses on three key points in the investment decision-making process:

- Determining the long-term return required to meet a fund's financial objectives and risk tolerance level.
- Selecting a mix of assets that maximizes the probability of achieving those objectives within agreed risk parameters.
- Determining implementation of this target asset mix to achieve the best net-of-fee return.

To implement our investment framework, we've established three portfolio tiers that correspond to these decision points, establishing clear accountability and measuring results to ensure every choice we make contributes to the fund's overall goals.

REFERENCE PORTFOLIO

- A simple set of public assets expected to meet a fund's long-term financial objectives
- Establishes overall risk tolerance for investment decision-making
- Enables governing bodies to monitor a fund's ability to deliver a required return at a defined risk level

STRATEGIC PORTFOLIO

- Diversification beyond the Reference Portfolio: establishes the target asset mix
- Sets strategic direction for long-term implementation
- Expected to generate incremental return above the Reference Portfolio (or reduce risk through diversification)

INVESTMENT PORTFOLIO

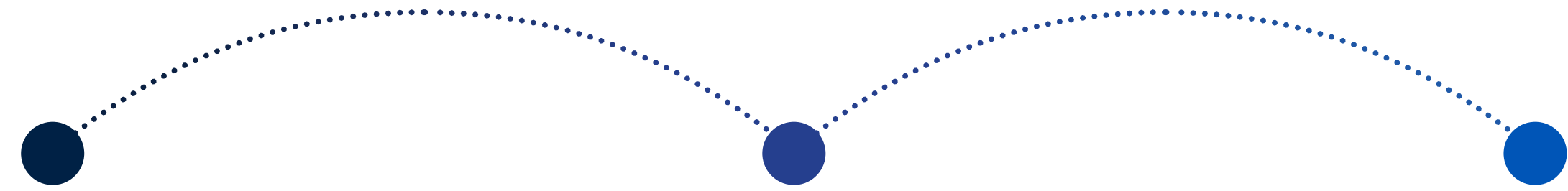
- Implementation of the Strategic Portfolio by the UBC Investment Management team
- Selection and monitoring of external managers
- Flexible active management, based on risk limits and other parameters agreed to by our internal partners, to seek additional sources of returns

The Reference Portfolio is central to our investment framework. This set of public market assets is designed to meet a fund's long-term financial objectives and establishes a benchmark for the fund performance and risk tolerance of UBC's investment portfolios. The Reference Portfolio is simple and cost-efficient, and it requires minimal effort to design and implement. It provides an objective, market-based yardstick for evaluating risk and measuring the gains or declines within our actual portfolios that result from taking active investment management decisions. We design the Reference Portfolio as a long-term benchmark; although it is reviewed periodically, it's not expected to change meaningfully unless the return objective or its risk tolerance changes.

The next tier in our investment framework is the Strategic Portfolio. This is the set of high-level decisions that map out a diversified asset mix for our portfolios. Assets must be readily investable (i.e., not privately held) and, for the most part, are managed passively, with returns attributable to asset class performance and exposure to systemic risks.

The third tier is the actual Investment Portfolio, which is actively managed to maximize net returns. Ongoing decision-making at this level includes investment manager selection, diversification of strategies within asset classes, and movement between asset classes within specified ranges.

Implementing the Framework in the Endowment Funds



Reference Portfolio

APPROVED BY THE UBC BOARD OF GOVERNORS:

- Return objectives
- Risk tolerance appropriate for the fund

Strategic Portfolio

APPROVED BY THE UBC INVESTMENT MANAGEMENT BOARD OF DIRECTORS:

- Diversification into other asset classes and target weights
- Investment programs, including Strategic Portfolio asset class ranges, implementation scope, constraints and benchmarks
- Risk framework, measures and limits

Investment Portfolio

IMPLEMENTED BY THE UBC INVESTMENT MANAGEMENT TEAM:

- Portfolio construction
- Manager selection/termination
- Active versus passive investment
- Investment style (value, growth, etc.)
- Private allocations
- ESG integration

In 2021, UBC Investment Management worked with UBC’s Board of Governors to implement the investment framework for the Main Endowment Pool. The UBC Board of Governors approved governance alignment with the investment framework, clearly spelling out oversight and decision-making responsibilities for each tier of the framework.

UBC Endowment Strategic Asset Mix Review

During the past year, we also engaged with the UBC Board of Governors in a full review of the Main Endowment Pool’s asset mix. The UBC Board of Governors approved a Reference Portfolio consisting of 70% Global Equity and 30% Canadian Fixed Income, which is expected to meet UBC’s spending rate and intergenerational equity goals over the long term. At the same time, the UBC Board of Governors approved a new investment policy for the Endowment fund.

As part of the review, the UBC Investment Management Board of Directors approved a new Strategic Portfolio that diversifies the Reference Portfolio across eight asset classes. The Strategic Portfolio is designed to have a similar level of risk as the Reference Portfolio but, through diversification, is expected to generate higher long-term returns. The transition of public assets to the new Strategic Portfolio target was substantially completed by March 31, 2022.

Implementing the Framework in the Endowment Funds

Asset Class	Reference Portfolio Weight	Strategic Portfolio Weight
Fixed Income	30%	17.5%
Liquidity Assets		5%
Public Fixed Income	30%	
Private Fixed Income		12.5%
Equity	70%	55%
Global Equity (All-Country World Index)	70%	
Global Developed Market Equity		30%
Emerging Market Equity		15%
Private Equity		10%
Real Assets		20%
Real Estate		10%
Infrastructure		10%
Absolute Return		7.5%
TOTAL	100%	100%

The review of the Reference Portfolio and the Strategic Portfolio integrated key assumptions about long-term returns, as well as specific scenario analyses, all aimed at gauging the potential impacts of climate change. UBC Investment Management is among the first institutional investors in Canada to incorporate in-depth climate risk analysis at the asset mix selection stage. The insights from this analysis have informed the construction of the Strategic Portfolio.

Our President and CEO, in consultation with the UBC Investment Management team, approves investment strategies for implementing and actively managing the actual investment portfolio. The factors we consider include overall portfolio construction, manager selection, active versus passive implementation, investment styles, currency hedging and allocations to private assets.

This newly established structure, with the Reference Portfolio as its foundation, makes the entire investment process more transparent for all stakeholders. Across the three tiers of oversight there is a shared language for defining roles, ensuring accountability and linking specific decisions to measurable investment outcomes.



Moving Forward on Our Strategy



The steps we've taken to evolve our overall strategy are part of a carefully considered response to the fast-changing investment environment. Implementing our investment framework is an important strategic building block. Now, to fully support our internal partners in achieving their goals, we're moving forward on several other key priorities:

- The continued professionalization of our team to ensure we have the capabilities and experience to meet future investment challenges.
- The implementation of new risk, performance and portfolio management processes — supported by advanced digital tools, data and analytics — to enhance investment decision-making and achieve higher net returns.
- The continued advancement of ESG integration, engagement and other aspects of responsible investing (see page 21).
- The need to build more partnerships in specialized areas such as technology-driven operations and sustainable investment.

This new strategic foundation better positions UBC Investment Management to tackle the growing complexity of global markets while continuing to deliver exemplary service and generate value for our internal partners. With our investment framework in place, we can focus as a team on delivering the best possible returns for UBC and its many stakeholders — including students, faculty and current staff along with retired employees and the broader UBC community.

2021–2022 HIGHLIGHTS

- Established and implemented our investment framework.
- Carried out an asset mix review for the UBC Main Endowment Pool, incorporating climate risk analysis — resulting in a modified Reference Portfolio and Strategic Portfolio.
- Updated our core investment beliefs.
- Revised and restructured our Board-approved investment programs.
- Revamped and transitioned our public equity manager lineup.
- Made significant capital deployment into private assets.
- Increased communications with our internal partners, UBC and the UBC Staff Pension Plan, while intensifying our focus on service excellence.
- Expanded the UBC Investment Management team with two new positions — Junior Investment Analyst and Manager, Investment Operations — to support the investment team and advance the implementation of our framework.



Our Commitment to Responsible Investing

Integrating environmental, social and governance (ESG) considerations into our investment process.

UBC Investment Management remains deeply committed to ensuring that the principles of responsible investing are embedded in our strategy and process as we support UBC's resolve to address the climate emergency and advance the cause of social justice. We expect our investment managers to consider ESG factors in all their decision-making — and we hold them to account.



RESPONSIBLE INVESTING

In recent years, the existential threats from climate change have become more evident than ever, heightening the need for urgent action — including by investment managers. At the same time, our industry has been exploring new and better ways of using financial mechanisms to advance equity, inclusion and social justice. As these forces of change converge, responsible investing — or ESG investing — plays an increasingly central role in how we approach our work.

UBC Investment Management has the benefit of working within the post-secondary education environment, where evidence-based research is constantly yielding new insights and driving innovative thinking. Working alongside the leadership of UBC and the UBC Staff Pension Plan, we're inspired to think critically and creatively about how we can deploy the university's investments to address the larger environmental and social challenges of our time.

Considering ESG factors in all investment decisions significantly strengthens our risk assessment process. It's also a critical dimension of our fiduciary responsibility to the university and its stakeholders — and indeed has been for many years, as UBC has become a recognized leader in sustainability planning and implementation across all areas of its operations.

UBC Investment Management has been working on behalf of the funds we manage to put the university's responsible investing commitment into action. These efforts include:

MANAGER SELECTION AND EVALUATION

We expect all our investment managers to have rigorous ESG processes in place and to apply that lens when underwriting investments that contribute to our managed portfolios. We evaluate our managers on an annual basis, using these assessments to guide our collaboration on ESG integration and our ongoing dialogue on best practices.

As part of our due diligence process when considering new investments, we assess:

- the materiality of ESG-related risk factors inherent in each investment
- the investment manager's ability to identify, mitigate and report on ESG risks
- the residual ESG risk, considering the investment manager's processes and reporting.

PROXY VOTES

We ask managers, wherever possible, to use their proxy votes to promote best responsible investing practices, including transparency on ESG policies, procedures and related activities.

ENGAGEMENT

When UBC Investment Management has significant exposure to a company, industry or national economy that faces a major responsible investing challenge, we encourage our managers to engage directly with the companies or organizations involved.

On ESG-related issues of broader significance, we coordinate our efforts with issuers, regulators, oversight bodies, industry groups and other key players to ensure all parties are aligned on both business practices and guiding values.



Responsible investing strategy in action

The key pillars of UBC Investment Management’s responsible investing strategy are:

Divestment

Mitigate climate risk in our managed portfolios by reducing exposure to greenhouse gas emissions.

Our Responsible Investing Strategy is aligned with UBC’s broader climate action commitments, which include eliminating all holdings in fossil fuel companies from the Endowment by 2030 or sooner and investing in companies that are working to meet the terms of the Paris Agreement. We have expanded our lens by measuring the carbon footprint and intensity of our investments.

Active ownership

Integrate responsible investing goals into our active ownership approach.

By engaging with our managers on portfolio holdings where significant ESG risks are inherent in the sector or business, we ensure that these risks are adequately considered in the investing process. We also seek partnerships with managers that engage directly with portfolio companies on ESG-related issues, and that use their proxy votes to advance sound responsible investing practices.

Disclosure

Encourage and expect our managers to formally disclose and report on the responsible investing risks and opportunities in their portfolios.

It’s crucial that investors and portfolio companies be fully informed on these issues.

Measurement

Define a balanced set of performance indicators to guide the overall process.

This in turn will guide investor and management actions that advance UBC’s sustainability goals.

Leadership

Amplify the impact of UBC Investment Management as a thought leader by influencing our managers and assisting our peers as they adopt responsible investing policies and best practices.

We engage with existing and prospective managers in exploring and adopting the best policies and practices as they evolve across all asset classes. And we share knowledge with our peers to promote best practices in the industry.



Advancing our responsible investing strategy

In 2021–2022, following formal approval of our responsible investing strategy by UBC Investment Management’s Board of Directors, we began systematically setting priorities to reduce climate change-related risk in our portfolios while continuing to uphold our fiduciary duties.

Specifically, on behalf of the UBC Main Endowment Pool, we’ve committed to a 45% reduction in the carbon footprint (in terms of greenhouse gas emissions) of the Endowment portfolio by 2030. We will also eliminate holdings of fossil fuel producers from the Endowment fund within the same time period. We’ve published our current carbon footprint estimate for evaluating future progress.

Reinforcing our commitment to transparency, we’ve also begun providing semi-annual disclosures of our public equity investment holdings for interested parties to review. And we’ve established active ownership guidelines setting out priorities for ESG-related engagement, affiliations and advocacy. These guidelines apply to funds managed on behalf of both the Endowment and the UBC Staff Pension Plan.

In addition, we’ve progressively aligned our policies and practices with the United Nations-supported Principles for Responsible Investment (PRI), of which UBC Investment Management is a signatory on behalf of UBC and the UBC Staff Pension Plan.

The PRI is a set of shared commitments adopted by institutional investors and asset owners around the world. In embracing the Principles, we contribute to a more sustainable global financial system by enhancing our own responsible investing processes and working alongside our peers to advocate for good ESG practices.

As a signatory to the PRI, we make the following commitments (where consistent with our fiduciary responsibilities):

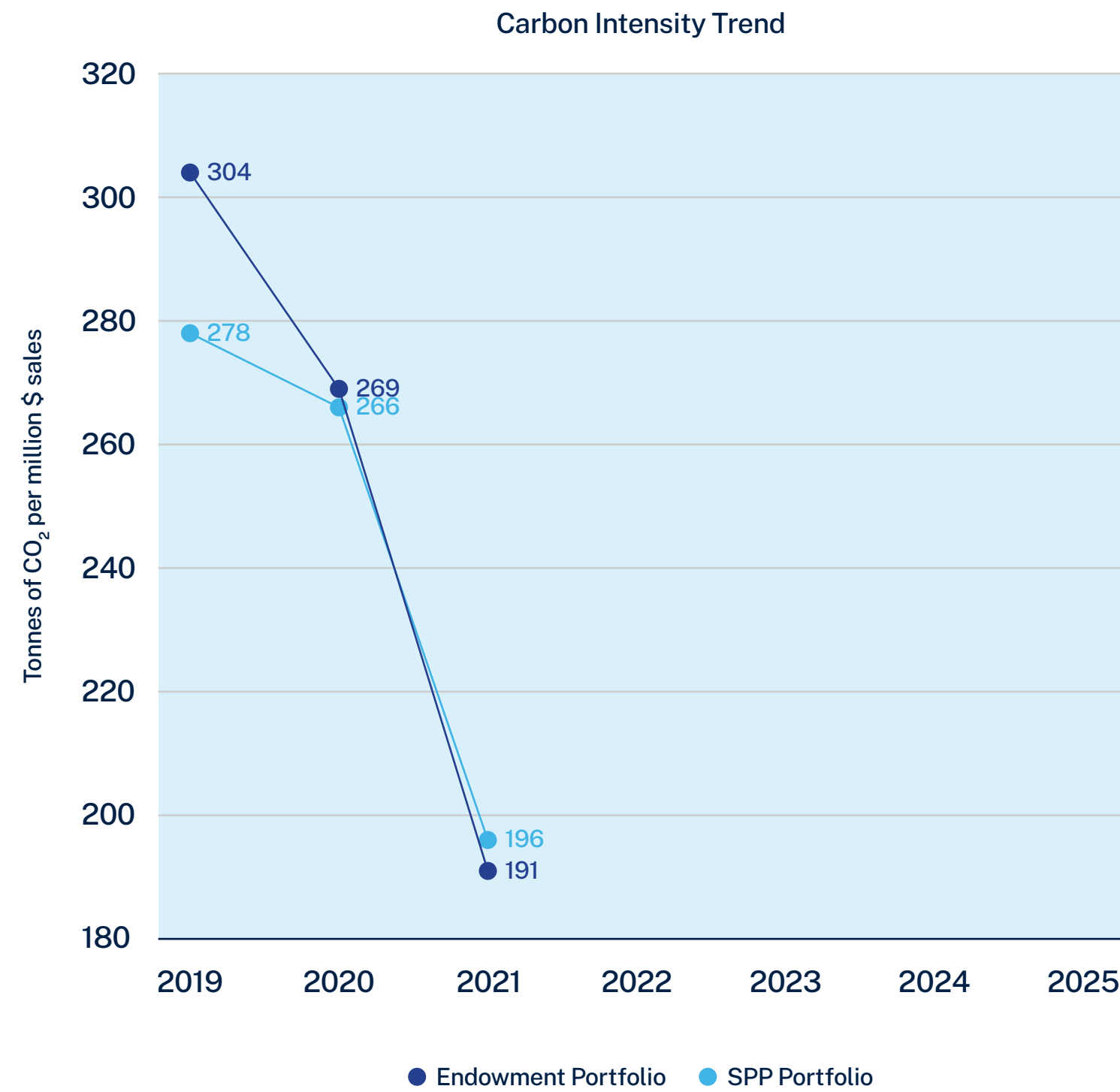
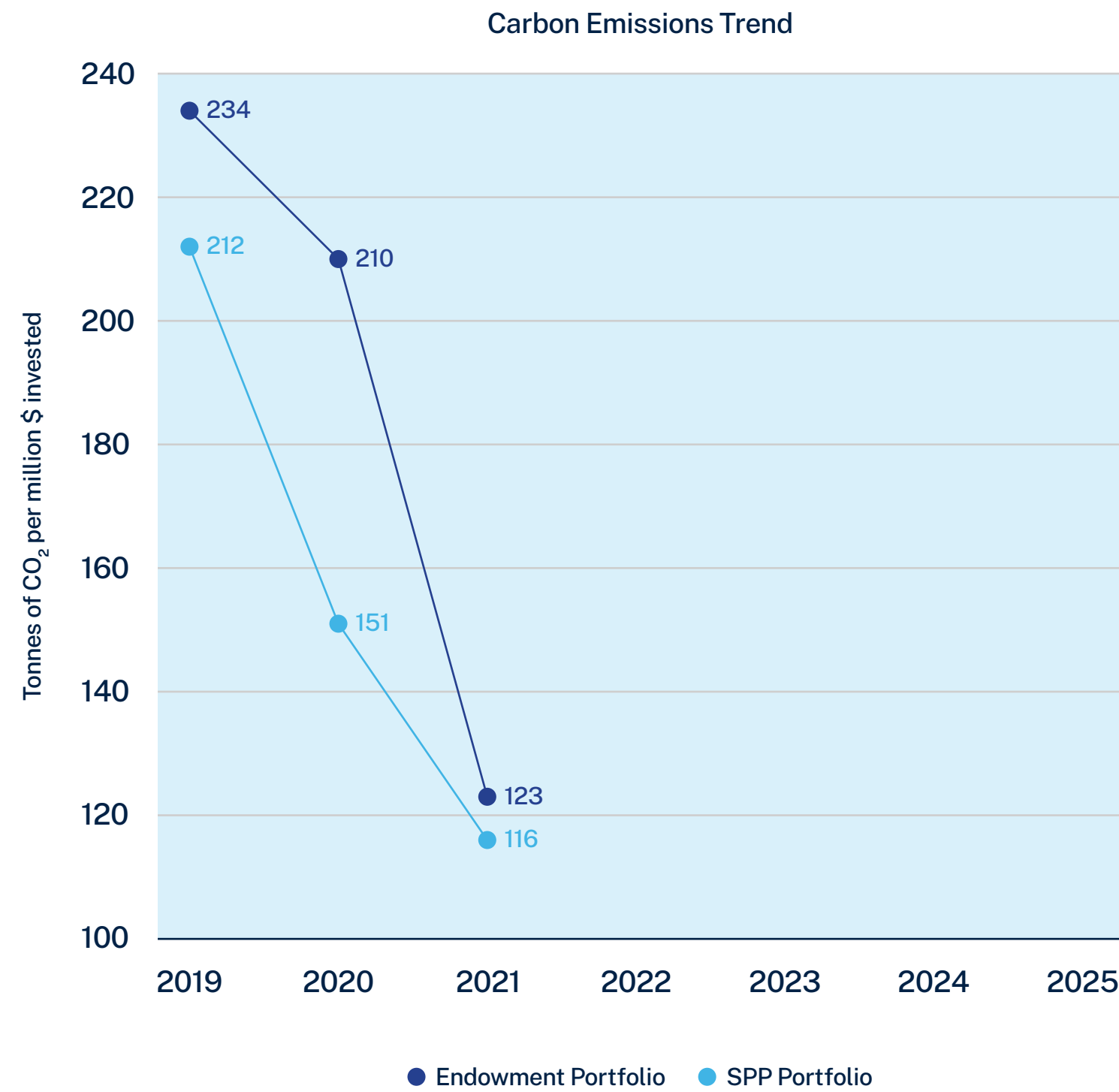
- **To incorporate ESG considerations into our investment analysis and decision-making processes.**
- **To be an active owner, weighing ESG issues in our ownership policies and practices.**
- **To seek appropriate disclosure on ESG factors by the entities in which we invest.**
- **To promote acceptance and implementation of the PRI within the investment industry.**
- **To work together as a team to enhance our effectiveness in implementing the Principles.**
- **To report regularly on our activities and progress.**

At a time of heightened focus on standards and metrics related to responsible investing, our participation in the PRI helps to advance transparency and effective measurement of ESG impacts within the funds we manage.

How we measure carbon emissions

In establishing the carbon footprint of our managed portfolios, we look at two measures: total carbon emissions, defined as greenhouse gas emissions per \$1 million invested; and carbon intensity, defined as greenhouse gas emissions per \$1 million of sales.

The total carbon emissions of an investment portfolio are calculated as the sum total of the carbon dioxide equivalent emissions of each company we are invested in, proportionate to our investment in that company. The total carbon intensity of an investment portfolio is calculated as the sum total of the carbon dioxide equivalent emissions per unit of sales revenue of each company we are invested in, proportionate to our investment in that company.



Data source: MSCI





2021–2022 Responsible Investing Highlights

ESG Integration

- Published our inaugural [Responsible Investing Report](#), summarizing progress in advancing our responsible investing strategy.
- Formalized a set of active ownership guidelines when investing on behalf of the university, establishing key principles for engagement, affiliations, advocacy and our assessment of investment managers.
- Formalized an ESG rating framework to assess current and prospective fund managers, using clearly defined performance and measurement criteria. Conducted a climate risk analysis on the UBC Main Endowment Pool's investments as part of a strategic asset mix review, incorporating insights into the Strategic Portfolio.

Implementation

- Since 2020, UBC Investment Management has helped the university grow its exposure to fossil-fuel-free or low-carbon investment strategies to \$400 million —representing approximately 40% of UBC's total public equity holdings.
- The Endowment Fund's carbon footprint was 47% below its 2019 baseline level as of December 31, 2021, while carbon intensity was 37% below the baseline. Over the same period, the UBC Staff Pension Plan carbon footprint and intensity measures decreased by 45% and 30% respectively.
- Committed \$120 million to seed a reduced-carbon global equity fund aligned to the Paris Agreement. Our investment reduces carbon intensity by approximately 70% relative to the cap-weighted benchmark.
- Invested \$40 million in the global equity strategy of Generation Investment Management, a group committed to advancing a low-carbon, healthy, fair and safe society.
- Made a \$40 million USD commitment to the BeyondNetZero fund managed by General Atlantic. The fund targets growth equity opportunities related to climate change.

Advocacy and Leadership

- Staff were active contributors in the investment community advocating for strong responsible investing practices and sharing insights with peers on climate risk and UBC Investment Management's responsible investing journey.
- Completed optional year one PRI reporting on UBC Investment Management's responsible investment activities, setting a baseline for future assessment and enhancements.
- Joined the ESG Data Convergence Initiative spearheaded by the Institutional Limited Partners Association (ILPA). The collaborative effort aligns investment managers and other investors to a standardized set of ESG metrics and comparative reporting for private investments.

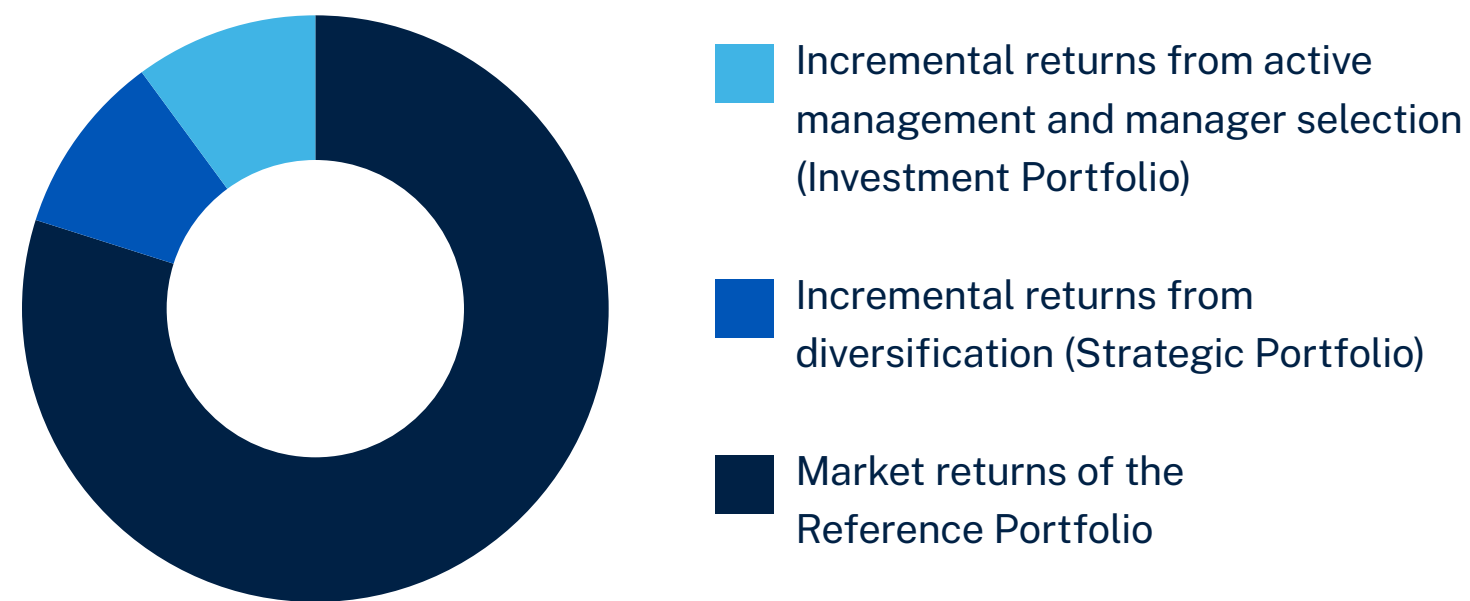


The Value of Our Investment Process

Three integrated tiers of oversight and accountability ensure optimum returns for our internal partners.



EXPECTED CONTRIBUTION TO PORTFOLIO RETURNS



The Reference Portfolio, as a yardstick for risk and return in the funds we manage, gauges roughly 80% of a portfolio’s total investment return. In addition to that foundational measure, our investment framework is designed to generate incremental positive performance over the longer term. We strive to improve outcomes for our internal partners above and beyond the Reference Portfolio through analysis-driven diversification, portfolio construction and investment implementation.

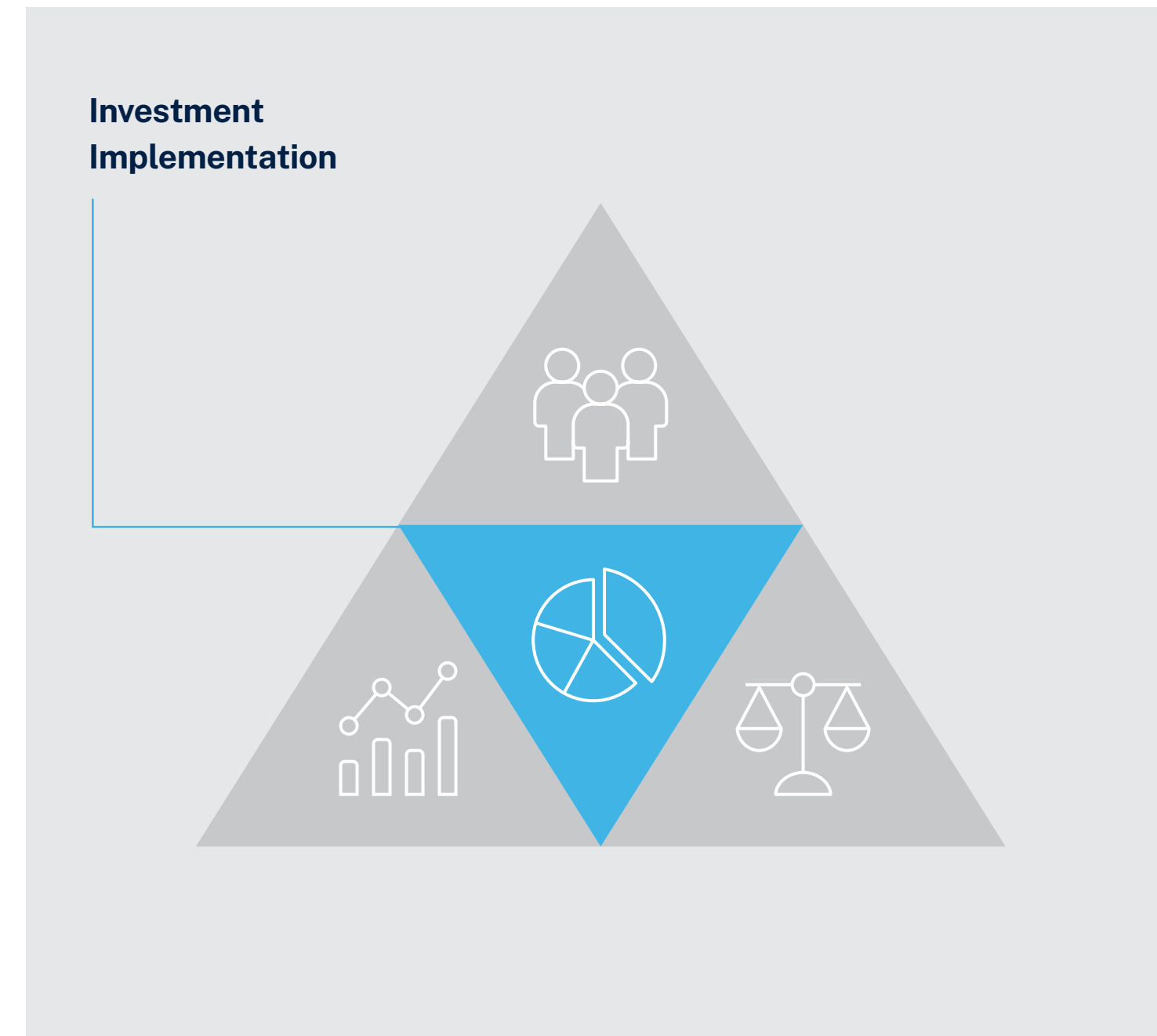
Periodically, we review the Strategic Portfolio for each fund we manage to determine the target mix of asset classes and exposures that we expect will provide the strongest long-term returns — at the risk tolerance level approved by our internal partners and informed by each fund’s financial objectives and liability profile.

For the UBC Main Endowment Pool and Working Capital Fund, the Board of Directors of UBC Investment Management approves the Strategic Portfolio. The Board also oversees the work of our team as we model diversified portfolios to optimize returns within the risk constraints of the Reference Portfolio.

For the UBC Staff Pension Plan, we work with SPP’s actuarial and investment consultants, as well as its dedicated Board, to determine a Strategic Portfolio — which is then recommended to the UBC Board of Governors by the Staff Pension Plan Board.

As we implement the Strategic Portfolios for each of the funds we manage to generate excess returns for our internal partners, there are two core competencies that set UBC Investment Management apart: our rigorous selection of investment partners, and our relentless focus on portfolio performance and risk attribution. Leveraging these combined strengths, we gain a deep understanding of our managed portfolios, along with the data-driven insights we need to continuously enhance our investment decision-making.

Implementing the Strategic Portfolio with the Right Investment Partners



As our broader investment strategy evolves, it's supported by a fundamental pillar of UBC Investment Management: our ability to choose the right partners. Our manager-of-managers model is both a time-tested best practice and the most cost-effective approach for the scale of our assets under management. Much of our team's time, energy and expertise is directed toward evaluating and monitoring current and prospective investment managers — which in turn drives value-add for our internal partners.

Guided by the Strategic Portfolio for each fund we manage, the UBC Investment Management team determines an appropriate investment strategy and selects external management firms for every asset class within our investment programs. As we seek skilled managers that can deliver added value over time, we have a key advantage relative to our Canadian peers: our size. UBC Investment Management has sufficient scale to gain significant fee savings; at the same time, our size allows us to stay nimble and avoid potential challenges in deploying capital to achieve our target asset allocations.

When selecting a new external manager, we look for a partner with the skills, experience and relationships to deliver excess returns for the current mandate — while also providing a platform we can build on together over the long term. Just as importantly, we expect our managers to be transparent in demonstrating how they execute their investment strategies, both via timely, informative reporting and through sharing of data and knowledge.

SEEKING NET VALUE-ADD

We believe that superior manager selection skills, combined with a carefully designed manager structure, can add value over time. However, we recognize that sometimes implementation costs can overpower potential returns. We base our decision to work with a particular manager on that organization's ability to deliver net value-add. We choose an active investment manager only if the projected return, net of all costs, justifies the additional risk and complexity.

CHOOSING THE RIGHT MANAGERS

The success of UBC Investment Management's overall investment strategy depends on our careful evaluation of prospective managers to ensure they meet our standards and can contribute to achieving the university's goals. This is our primary risk management tool. Therefore, our investment due diligence process is extremely rigorous to provide confidence that a chosen partner will benefit our portfolios.

In 2021–2022, we began the transformation of our manager selection and due diligence processes to better support our refreshed mission and purpose, establishing more clearly defined steps for identifying, assessing and monitoring the practices of the managers we choose to work with — and to foster a shared culture of continuous improvement. We implemented the core elements of this transition in 2021, with enhanced requirements in all due diligence recommendations, including alignment with a set of active investment manager investment beliefs. We also revamped standardized ESG risk assessments to highlight the materiality of ESG risks for all investments, the manager's ESG integration level, and residual ESG risks that can be aggregated across the portfolio and reported to the UBC Investment Management Board.

Most of our manager searches are executed in-house. A senior member of the UBC Investment Management team establishes the parameters of the mandate, leads the search process and provides a recommendation for the full team's consideration. We find potential managers through internal and industry databases, networking within the investment community and ongoing discussions with our peers and existing managers.



Implementing the Strategic Portfolio with the Right Investment Partners

(CONT'D)

OUR APPROACH TO DUE DILIGENCE

Evaluating a potential manager involves an extensive, disciplined and in-depth analytical process. Although each search is tailored for a particular asset class and mandate, in fulfilling our investment and operational due diligence we adhere to a consistent set of criteria:

- Ownership and organizational structure
- Investment team experience and expertise
- Investment philosophy and investment process
- Responsible investing and ESG integration
- Performance and portfolio fit
- Fees and alignment of interests
- Tax structure and impact on expected performance

This information, coupled with insights gained through managing our existing portfolios, allows us to determine the suitability of a manager's approach in the context of UBC Investment Management's overall investment strategy. An equally important consideration is the quality of a manager's business and operations. We evaluate a prospective partner as a going concern, along with its reputation for integrity and operational risk management practices, to ensure that investment returns will not be compromised by poor management.

Another key dimension of UBC Investment Management's due diligence is our use of sophisticated models and software in our research and analysis. Equipped with effective analytical tools, our team can stay focused on gaining the essential insights that meticulous analysis reveals. We continually evaluate tools from third-party providers that may enhance our productivity. At the same time, we recognize that even the most advanced digital tool is only as effective

as the experience and professional judgment of its user. By balancing rigorous quantitative analysis with qualitative insights, and by working as a team to continuously improve our decision-making, we're able to make manager choices that we believe will benefit UBC over the long term.

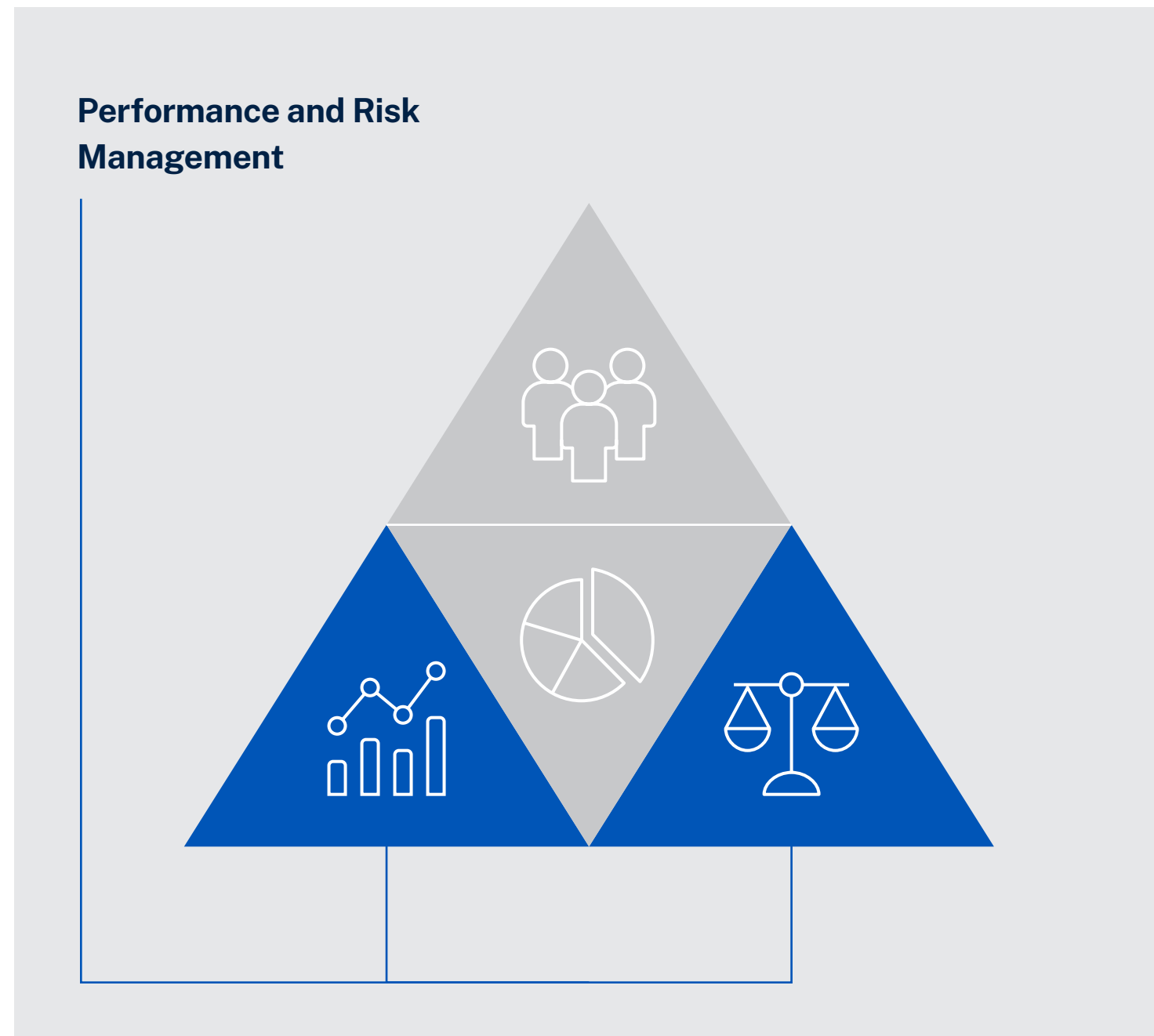
Our President and CEO approves manager selections, within delegated authority from the Board, with support from UBC Investment Management's investment and operational teams. As part of this process, we produce a formal due diligence report on all aspects of the investment process, including ESG considerations. This comprehensive analysis serves as the basis for investment manager recommendations and discussions within the UBC Investment Management team prior to approval.

MONITORING OUR MANAGERS

Once UBC Investment Management has committed to and funded an external investment manager, we establish consistent monitoring to confirm our original investment thesis and identify any changes in approach or deviations from expectations. This process includes the review of performance and other reports, quarterly meetings and conference calls, and the regular collection of portfolio holdings data incorporated into our risk management approach.

We report to the UBC Investment Management Board any change in status of an external manager including when they are hired, terminated, and placed on or removed from a watch list. Our manager reporting is focused on the key tenets of investment manager assessments: performance, investment process, people, portfolio fit, and pacing (for private investments).

Our Performance and Risk Attribution Approach



We developed our investment framework to focus on maximizing net investment returns at the risk tolerance level approved by our internal partners. Our aim is to increase the likelihood that the Endowment and the Staff Pension Plan will achieve their long-term financial objectives, given the unique purpose and potential liabilities of each fund they oversee.

Risk management and performance attribution play a key role in our investment framework, informing and continuously improving our decision-making. We recognize that by investing in securities through external managers, we expose our portfolios to risks. However, not all risks are created equal; investors are rewarded for accepting certain types but receive no benefit from others. Our goal is to assume risks that we understand and can bring returns while avoiding those that don't align with our capabilities or offer any concrete advantage.

One of our primary objectives for 2022–2023 is to establish and implement our investment risk framework using new tools to improve process efficiency and strengthen our team's analytics capabilities. These efforts built on work begun the previous year, as we conducted preliminary reviews of various holdings-based risk systems and performance-attribution tools. The selection and implementation of new risk systems will be a key focus for the year ahead. We look forward to integrating more sophisticated insights as we continue to manage the portfolios and implement our investment strategy.

ENHANCING OUR CONTROLS ON NON-INVESTMENT RISK



Evaluating Enterprise Risk

During the past year, we also undertook a fundamental review of our enterprise risk management framework and reporting process, concentrating on the management of non-investment risks. This work includes the development of a non-investment risk scoring framework, a formal risk register and a redesigned report to the Risk and Audit Committee of our Board of Directors.

In 2021–2022, our team presented a revised framework to the Risk and Audit Committee and began working with UBC's Office of Enterprise Risk and Assurance to develop a scoring methodology and risk register consistent with the university's approach, while also integrating industry best practices. Key deliverables for the upcoming year include the development of a new enterprise risk assessment methodology, the rollout of a risk register and a full review of enterprise risks at UBC Investment Management under the redesigned approach.

Our Performance and Risk Attribution Approach

(CONT'D)

ASSESSING PERFORMANCE

Performance measurement and reporting are key dimensions of investment management. We expect a large proportion of our excess returns to come from skill-based views that we incorporate into the construction of our portfolios. To better understand the performance impact of our active investment decisions at every level — and in the process, to more clearly define our skills in this area — we focus on four central questions:

Are we outperforming the Reference Portfolio and the Strategic Portfolio?

We expect that over longer periods of time we will outperform both the Reference Portfolio and the Strategic Portfolio. To determine attribution in response to this question, we focus on precisely measuring the sources of overperformance or underperformance.

Are the asset class programs generating alpha?

Our Board of Directors has approved asset-class-level programs that we use to identify and invest in top-quality managers within reasonable risk parameters. Our attribution here focuses on measuring the effectiveness of each program in generating alpha — i.e., the excess return from an asset class.

Have our strategy convictions been correct?

The UBC Investment Management team constantly monitors capital markets, financial news and broader economic conditions. We also consult with subject matter experts and other external research partners to form a “house view” on strategies that we then implement through the investment portfolio. Our attribution focuses on determining whether our investment strategies have contributed to excess returns.

Are our external managers performing as expected?

To gauge managers’ performance over the short and long term, we need to ensure that external investments follow underwriting assumptions. Our attribution here determines whether we’re producing excess returns for each investment made.





Investment Review 2021–2022

A detailed breakdown and analysis of our portfolios' performance over the past fiscal year.

At March 31, 2022, UBC Investment Management managed \$5.6 billion in assets across four funds. Each of our managed funds has its own risk and return objectives and unique policy asset mix targets. As such, each fund will have different investment performance results.

Other than the Working Capital Fund — a shorter-term fixed income portfolio that supports the university's capital needs — the funds under management are balanced pools containing traditional investments in public equities and bonds. The Main Endowment Pool and the Staff Pension Plan also include private investments such as private equity, private debt, real estate and infrastructure. The Main Endowment Pool also has a policy allocation to absolute-return strategies.

Our funds are constructed as global multi-asset class portfolios to ensure risk diversification. During the asset allocation process, we also consider each fund's required return, investment horizon, liquidity requirements and other factors such as investment management fees and our internal partners' preferences.

Market Commentary



The global economy experienced a healthy rebound in 2021, after the COVID-19 pandemic had brought the momentum of the previous decade to an abrupt and traumatic halt in 2020. This welcome (albeit uneven) recovery was made possible by unprecedented policy actions around the world, as fiscal and monetary authorities coordinated efforts to supply market liquidity and support businesses and households. These decisive actions, together with successful vaccine development, helped avoid a prolonged and more severe economic downturn. But they also sowed the seeds for the capital market developments that UBC Investment Management had to navigate for the balance of our 2021–2022 fiscal year.

The ensuing market volatility was driven by many factors, foremost among them: the economic impacts of the Omicron wave and further subvariants of COVID-19, rising inflation driven by supply chain constraints around the globe, and higher energy prices resulting from the Russian invasion of Ukraine. Notwithstanding these drivers of instability, real growth was strong across the major developed market economies as interest rates remained low and diverse service sectors gradually reopened.

Global equity markets climbed steadily higher through the balance of 2021 as corporate earnings growth surged, then suffered a significant drawdown in the first quarter of 2022. Sparked by escalating geopolitical tensions from the Russia-Ukraine conflict, the steep market decline also reflected persistent inflationary pressures worldwide, which in turn fueled investor expectations of interest rate increases from central banks. In developed markets, benchmark equity index returns for the year ended March 31, 2022 exceeded 9% in Canadian dollar terms. The picture was more grim in emerging markets, where a combination of geopolitical risk, rising energy prices and a strong U.S. dollar led to a drop of nearly 12% in benchmark returns by fiscal year-end.

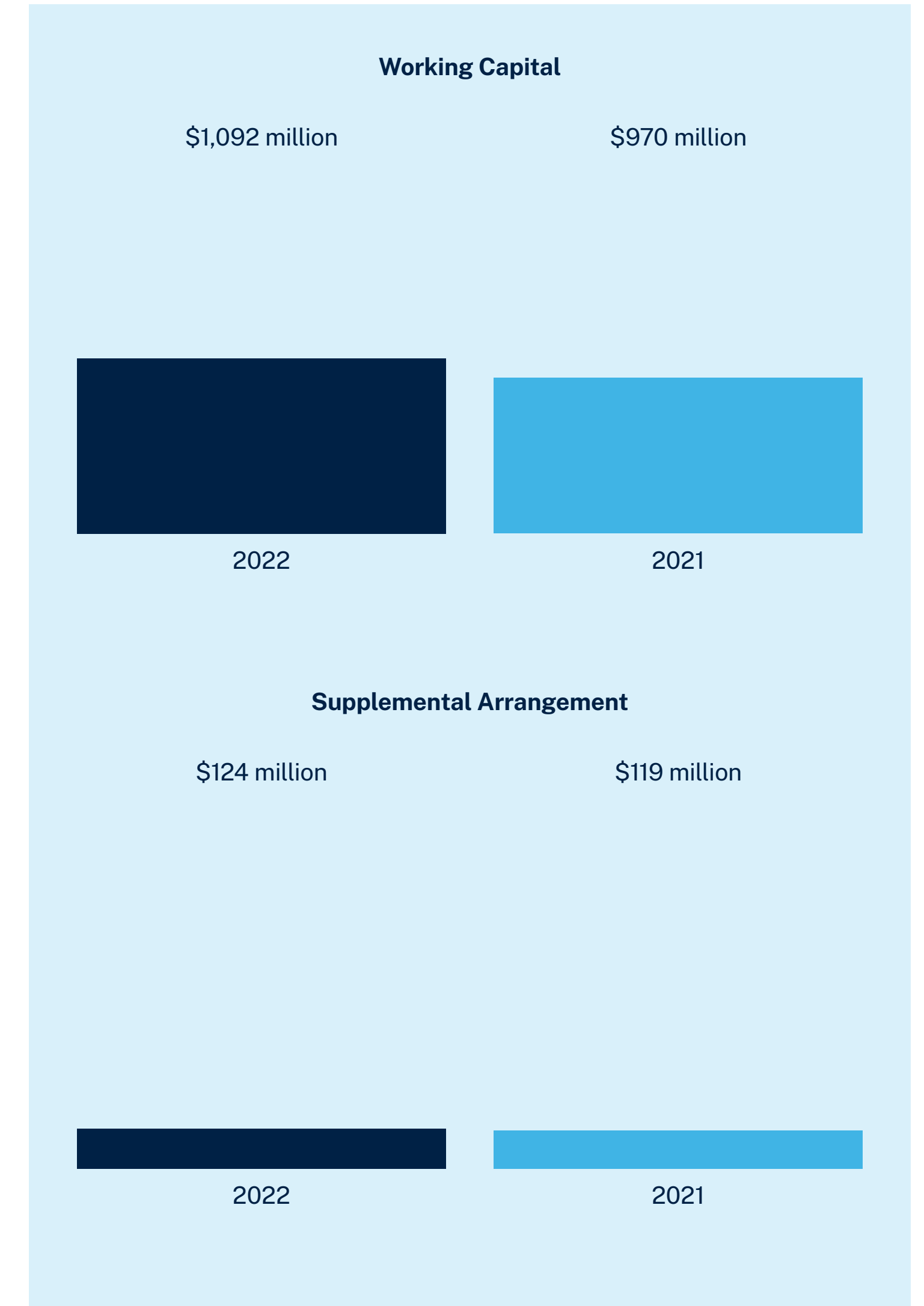
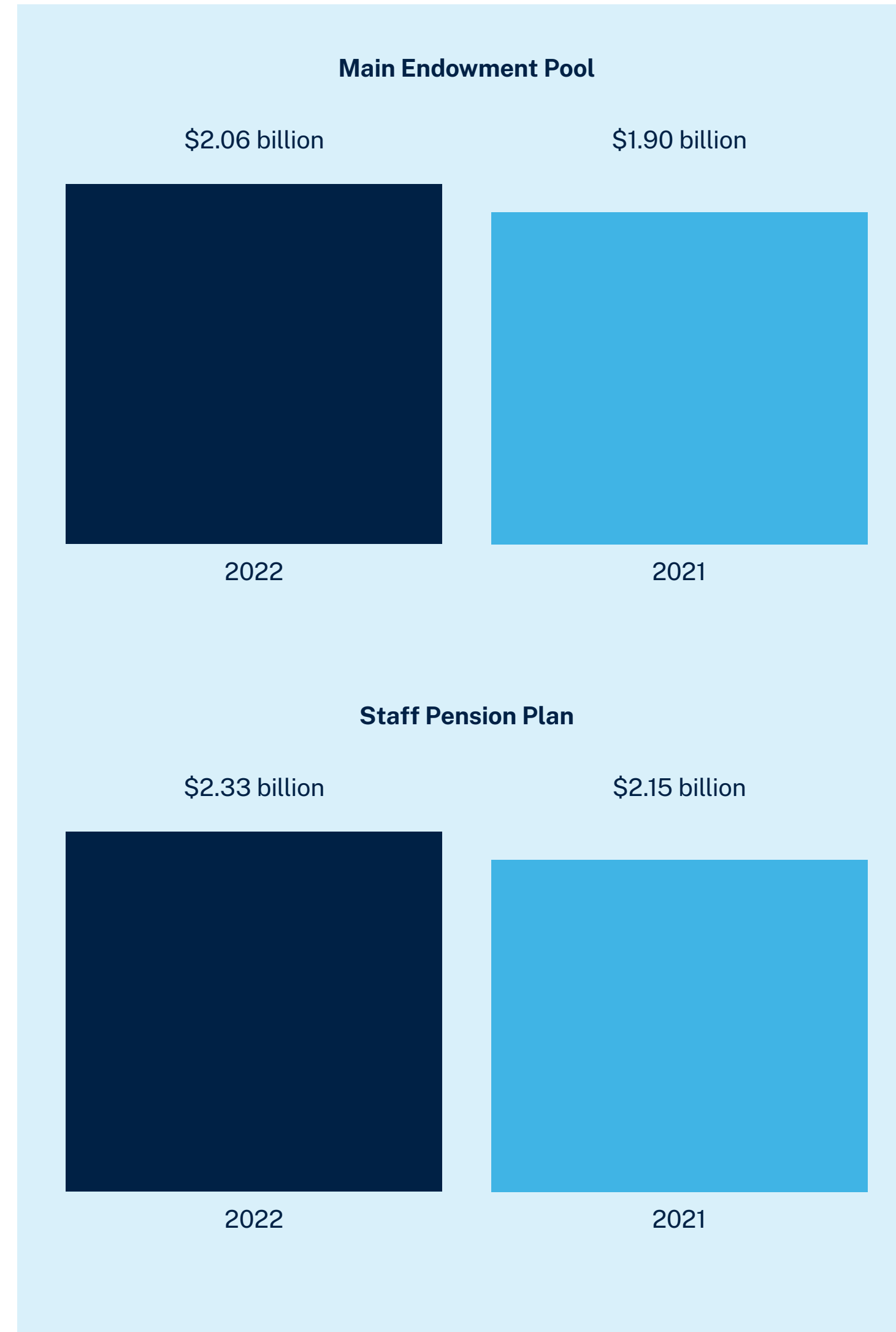
In fixed income markets, government bond yields rose markedly higher, responding to a stubborn rise in inflation — despite prevailing expectations for a transitory spike followed by an easing off in the second half of 2022. The confluence of reopening economies, rising global COVID-19 cases and geopolitical disruption caused food, energy and goods prices to increase. At the same time, central banks signalled a swifter return to tighter monetary policy, hampering returns in public fixed income strategies. Credit markets, meanwhile, were generally stable for most of the 2021–2022 fiscal year, with credit spreads rising moderately over the final quarter, mirroring the decline in equity markets in the same period.

Adding to these developments, the Canadian dollar experienced some volatility in the year ended March 31, 2022, after appreciating strongly during our previous fiscal year. The loonie rallied early in the year (to its highest point against the U.S. dollar since 2015), rising alongside global commodity prices before gradually depreciating in U.S. dollar terms through the remainder of the year. Against global currencies, by contrast, the Canadian dollar performed strongly, outpacing nearly all major developed market currencies.



2021–2022 Investment Performance

VALUES AS OF MARCH 31, 2022



Note: Changes shown in market values reflect investment earnings, as well as cash flows into and out of the portfolios. Not included in the chart are an additional \$166.7 million of endowed assets at other foundations that support UBC-based programs (see page 37). While UBC Investment Management reviews the performance results of these investments on behalf of the university, we do not have discretion over the related assets.



Funds Under Management

UBC's Endowment funds reflect more than a century of philanthropic giving by generous donors, as well as proceeds from the leases of endowment lands. The Endowment benefits all university faculties, helping to support learning, teaching, research and strategic initiatives for the benefit of current and future generations.

MAIN ENDOWMENT POOL

\$2.1 billion assets under management

The Main Endowment Pool is invested in financial assets to generate annual distributions for various programs in accordance with the Statement of Investment Policy approved by UBC's Board of Governors. In February 2022, the UBC Board of Governors approved a new Statement of Investment Policy that included a Reference Portfolio of 70% global public equities and 30% Canadian fixed income. The UBC Investment Management Board approved a new Strategic Portfolio for the Main Endowment Pool that became effective April 1, 2022.

The following table contains the Main Endowment Pool's actual asset mix as of March 31, 2022, and the Strategic Portfolio's target asset mix effective April 1, 2022:

Table 1

Asset Class	Actual Mix	Strategic Portfolio Target
Fixed Income	18.9%	17.5%
Equities	52.3%	55.0%
Real Assets	21.3%	20.0%
Absolute Return	7.5%	7.5%
Total	100.0%	100.0%

During fiscal 2021–2022, UBC Investment Management continued to fund new investments in private equity, private debt and real assets, bringing the Main Endowment Pool close to its Strategic Portfolio target weights as of March 31, 2022. UBC Investment Management substantially transitioned the Endowment portfolio's public equity and bond exposures to the new Strategic Portfolio mix in the first quarter of 2022.

Performance analysis and comparison

The Main Endowment Pool generated a return of 8.2% for the one-year period ended March 31, 2022, outperforming the 3.2% return of the Reference Portfolio over the same period. Public capital markets delivered strong returns through December 2021 but pulled back in the first quarter of 2022. The Main

Endowment Pool's higher diversification and allocations to private market investments, including infrastructure, real estate, private equity and private credit, added incremental value against the two-asset Reference Portfolio. These private market investments have incomes linked to rising interest rates and inflation and have been better able to weather the recent challenging market conditions than more inflation-sensitive public equities and fixed income.

For the Main Endowment Pool to be sustainable over the long term, it must maintain its inflation-adjusted value to preserve intergenerational equity for beneficiaries. In other words, the endowment's long-term return must meet a required rate of return equal to the sum of its spend rate (4.0% in 2021–22), administrative expense charge and inflation. While a sharp rise in inflation drove the endowment's one-year return below the required return of 11.6%, the endowment has achieved its required return over the past 10 years.

Table 2

	1 Year	5 Years	10 Years
Endowment Required Return	11.6%	7.5%	6.4%
Actual Returns*	8.2%	7.3%	8.8%
Reference Portfolio Benchmark†	3.2%	7.3%	8.6%
Value Added (%)	5.0%	0.0%	0.2%

* Returns are reported net of external investment management fees and are annualized for periods greater than one year.
† The Reference Portfolio was adopted by the Main Endowment Pool in 2021–22. The Policy Benchmark return is included for earlier periods.



Funds Under Management

(CONT'D)

At a program level, we also measure the effectiveness of our portfolio implementation and manager selection by comparing our realized performance with tailored asset class level benchmarks. These comprise investable market indices for each asset class, reflecting the returns of the Strategic Portfolio. As shown in Table 3, the Main Endowment Pool's investments in fixed income and equities outperformed their policy benchmarks, driven by private debt and private equity investments. Conversely, our real asset and absolute return strategy investments modestly underperformed their policy benchmarks.

Table 3

1-Year Performance

Asset Class	Main Endowment Pool	Strategic Portfolio Benchmark	Value Added
Fixed Income	1.5%	0.7%	0.8%
Equities	8.4%	4.2%	4.2%
Real Assets	17.6%	18.0%	-0.4%
Absolute Return Strategies	-1.2%	1.9%	-3.1%

The currency-hedging policy in place for the Main Endowment Pool through 2021-22 includes the hedging of non-equity foreign-investment currency exposures (i.e., foreign private debt, real estate, infrastructure and absolute return investments) back to Canadian dollars. Managed passively by an external manager, our hedging activities employ forward contracts with investment-grade counterparties on major developed market currencies (including U.S. dollar, euro and pound sterling, among others).

ENDOWMENTS WITH INVESTMENT RESTRICTIONS

\$166.7 million assets under management

The broad category Endowments with Investment Restrictions refers to the endowments specified for the university at the Vancouver Foundation, the UBC Foundation and the investment firm Jarislowsky Fraser Limited Investment Counsel. While UBC Investment Management reviews their respective performance results on behalf of the university, we do not have discretion over these investments. At March 31, 2022, they totalled \$166.7 million.

Table 4

Market Value (\$ Millions)

Endowments Held At	Mandate	March 31, 2022	March 31, 2021
UBC Foundation	Canadian Equity	114.2	135.1
Vancouver Foundation	Balanced	48.6	53.4
Jarislowsky Fraser	Balanced	3.9	4.0
Total		\$166.7	192.5

UBC Foundation

\$114.2 million assets under management

Assets held at the UBC Foundation consist of a donation to the university of publicly traded common shares for Wall Financial Corporation, a Canadian real estate investment and development company as well as cash from dividend payments. The assets were valued at \$114.2 million at March 31, 2022.

Vancouver Foundation

\$48.6 million assets under management

At March 31, 2022, \$48.6 million of endowment assets at the Vancouver Foundation were invested in the foundation's Consolidated Trust Fund, a balanced fund. Of the total assets held at the Vancouver Foundation, UBC has discretion over \$20.7 million. The remaining \$27.9 million is held by the foundation in perpetuity for the benefit of the university, as designated by donors. The policy and actual asset mixes are provided in Table 5, and performance information is provided in Table 6.

Table 5

Asset Class	Actual Mix	Policy Target
Fixed Income	17.1%	20.0%
Public Equities	60.8%	55.0%
Real Estate	9.6%	8.0%
Absolute Return Strategies	12.6%	17.0%
Total	100.0%	100.0%

Table 6

	1 Year	5 Years	10 Years
Actual Return	6.0%	6.8%	8.5%
Investment Policy Benchmark	7.4%	7.6%	8.2%
Value Added	-1.4%	-0.8%	0.3%

Returns are reported gross of investment management fees. Returns stated are annualized for periods greater than one year.

Funds Under Management

(CONT'D)

Jarislowsky Fraser (Merilees Chair)

\$3.9 million assets under management

Assets held at Jarislowsky Fraser are invested in the JF Global Balanced Fund and support the Harold and Dorrie Merilees Chair for the Study of Democracy. The policy target and actual asset mixes are provided in Table 7, and performance metrics are shown in Table 8.

Table 7

Jarislowsky Fraser		
Asset Class	Actual Mix	Policy Target
Fixed Income	35.2%	43.5%
Public Equities	64.8%	56.5%
Total	100.0%	100.0%

Table 8

	1 Year	5 Years	10 Years
Actual Return	0.3%	5.2%	8.4%
Investment Policy Benchmark	4.9%	6.4%	7.4%
Value Added	-4.6%	-1.2%	1.0%

Returns are reported net of investment management fees, except for the 10-year returns. The 10-year returns net of investment management fees are not available due to system changes. Returns stated are annualized for periods greater than one year.

STAFF PENSION PLAN

\$2.3 billion assets under management

The Staff Pension Plan (SPP) is a target-benefit pension plan that provides retirement, termination and death benefits for eligible staff of UBC and related employers. The plan is celebrating its 50th year of operation in 2022. The SPP is funded by fixed contributions from plan members and the university and serves over 16,000 current UBC employees, retirees and deferred members. The university has delegated the day-to-day administration of the plan to the SPP Board. Assets are the property of plan members and their beneficiaries.

SPP funds are invested to provide stable lifetime retirement pensions in accordance with the Statement of Policies and Procedures recommended by the SPP Board and approved by UBC's Board of Governors. In 2019, the UBC Board of Governors approved an updated asset mix including higher weights to private market investments, and through fiscal 2021–2022 UBC Investment Management's focus has been on increasing the deployment of capital into private credit and real assets investments.

The following table shows the SPP's actual and policy target asset mixes at March 31, 2022.

Table 9

Asset Class	Actual Mix	Policy Target*
Fixed Income	40.6%	42.5%
Equities	37.2%	35.0%
Real Assets	22.2%	22.5%
Total	100.0%	100.0%

*Effective January 1, 2019.

Performance analysis and comparison

Table 10

	1 Year	5 Years	10 Years
Actual Return	6.0%	6.5%	7.8%
Investment Policy Benchmark	3.4%	6.5%	7.4%
Value Added	2.5%	0.0%	0.4%

Returns are reported net of external investment management fees starting January 2010. Returns stated are annualized for periods greater than one year.

We compare the SPP return to its policy benchmark to gauge how effectively we have implemented the policy asset mix. For the fiscal year ending March 31, 2022, the SPP portfolio return of 6.0% outperformed the policy benchmark return of 3.4% by 2.6%. The portfolio outperformance was mainly attributable to strong performance from our real assets program, as well as our underweight position in long-term bonds, which continue to be negatively impacted by rising interest rates over the fiscal year.

The SPP follows the same currency-hedging policy as the Main Endowment Pool, with non-equity foreign investment currency exposures (e.g., foreign private debt, real estate and infrastructure investments) hedged back to Canadian dollars. Currency hedging is managed passively by an external manager, utilizing currency forward contracts with investment-grade counterparties on major developed market currencies.



Funds Under Management

(CONT'D)

Table 11

1-Year Performance			
Asset Class	Staff Pension Plan	Benchmark	Value Added
Fixed Income	-3.0%	-3.8%	0.7%
Public Equities	6.6%	6.3%	0.2%
Private Equity	38.9%	23.1%	15.8%
Real Assets	17.3%	9.3%	8.0%

WORKING CAPITAL FUND

\$1.1 billion assets under management

The Working Capital Fund consists of monies from the reserves of the university's capital pool. These include the proceeds from provincial operating grants; tuition fees; private, corporate and government research grants; operating income; and funds for capital projects. The portfolio, which invests with a focus on capital preservation and liquidity objectives, consists of a certificate of deposit with the Province of British Columbia Central Deposit Program and three short-term fixed income funds. Overall responsibility for the university's cash management rests with UBC Treasury.

In 2021–2022, the Working Capital Fund returned -1.4%, outperforming the policy benchmark return by 1.4% (Table 13). Over a five-year period, the fund returned 1.6%, ahead of its benchmark return of 1.0%. Table 12 shows the actual asset mix of the Working Capital Fund at March 31, 2022.

Table 12

Asset Class	Actual Mix
Money Market	14.7%
Short-Term Bonds	63.3%
Mortgages	22.1%
Total	100.0%

Table 13

	1 Year	5 Years	10 Years
Actual Return	-1.4%	1.6%	1.9%
Investment Policy Benchmark	-2.8%	1.0%	1.4%
Value Added	1.4%	0.6%	0.4%

Returns are reported gross of investment management fees. Returns stated are annualized for periods greater than one year. The current policy benchmark consists of 15% 30-day FTSE Canada T-Bills Index and 85% FTSE Canada Short Term Overall Bond Index.

Funds Under Management

(CONT'D)

SUPPLEMENTAL ARRANGEMENT

\$124 million assets under management

The Supplemental Arrangement is an extension of the UBC Faculty Pension Plan and serves about 1,200 UBC employees whose annual contributions exceed the limit allowed under the federal Income Tax Act for registered pension plans. It has a policy asset mix consisting of 60% equities and 40% fixed income. Supplemental Arrangement assets are invested passively in a balanced fund consisting of Canadian and global equities, bonds and real estate income trust (REIT) index funds. The policy asset mix and actual asset mix at March 31, 2022, are presented in Table 14, and performance information is shown in Table 15.

Table 14

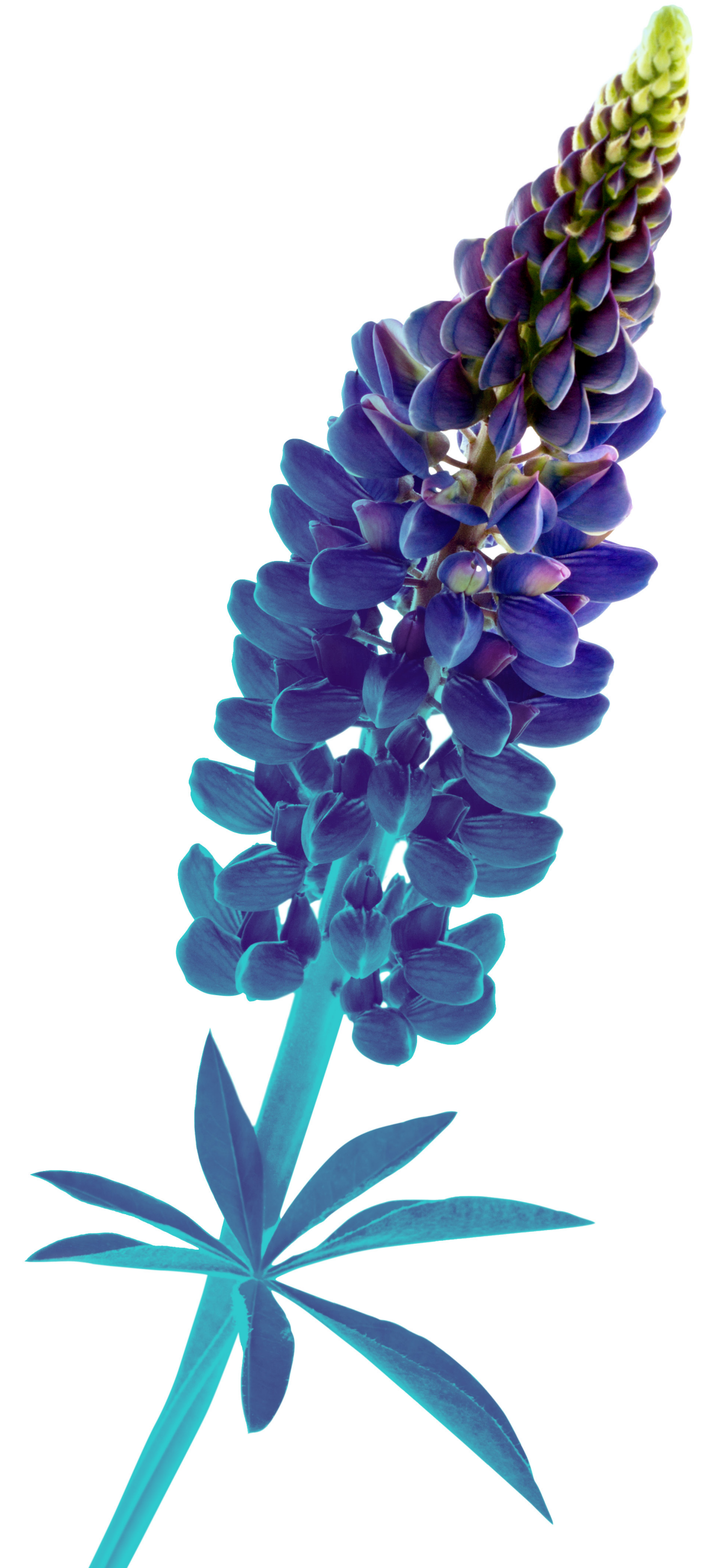
Asset Class	Actual Mix	Long-Term Policy Mix
Fixed Income	40.9%	40.0%
Public Equities	54.1%	50.0%
Real Estate	5.1%	10.0%
Total	100.0%	100.0%

Table 15

	1 Year	5 Years	10 Years
Actual Return	5.4%	6.7%	7.6%
Investment Policy Benchmark	5.3%	6.8%	7.7%
Value Added	0.1%	-0.2%	-0.1%

Returns are reported net of investment management fees starting April 2015. Returns stated are annualized for periods greater than one year.

The Supplemental Arrangement returned 5.4% in 2021–2022 and 6.7% over a five-year period. There is no value-add expected for this portfolio, as it is invested in an index fund structure that matches, to the greatest extent possible, the asset allocation of the UBC Faculty Pension Plan’s Balanced Fund. The modest underperformance of the portfolio over time reflects management and transaction costs to track the indices.





Financial Statements





Independent Auditors' Report

31 MARCH 2022

To the Directors,
UBC Investment Management Trust Inc.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of UBC Investment Management Trust Inc. (the "Company"), which comprise the balance sheet as at 31 March 2022, and the statements of retained earnings, earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected



Independent Auditors' Report

31 MARCH 2022

to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
23 June 2022



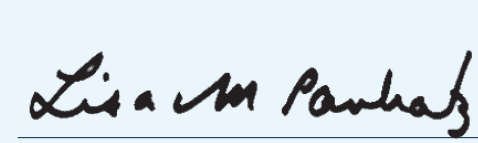
Balance Sheet

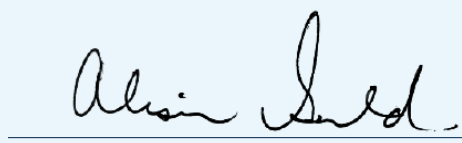
31 MARCH 2022

	2022	2021
Assets		
Current		
Cash	\$ 1,117,788	\$ 803,126
Accounts receivable (Note 8)	41,228	35,103
Prepaid expenses	97,852	79,759
	1,256,868	917,988
Equipment and leasehold improvements (Note 3)	38,244	29,364
Security deposit	5,350	5,350
	\$ 1,300,462	\$ 952,702
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 4 and 8)	\$ 1,037,963	\$ 946,376
Advances payable (Notes 5 and 8)	300,000	-
	1,337,963	946,376
Deferred lease inducement (Note 6)	-	2,265
	1,337,963	948,641
Commitments (Note 7)		
Shareholders' Equity (Deficit)		
Share capital (Note 9)	100	100
Retained earnings (deficit)	(37,601)	3,961
	(37,501)	4,061
	\$ 1,300,462	\$ 952,702

The accompanying notes are an integral part of these financial statements.

APPROVED BY THE BOARD:

 Director

 Director



Statement of Retained Earnings (Deficit)

FOR THE YEAR ENDED 31 MARCH 2022

	2022		2021	
Balance – beginning of year	\$	3,961	\$	(8,652)
Net earnings (loss) for the year		(41,562)		12,613
Balance – end of year	\$	(37,601)	\$	3,961

The accompanying notes are an integral part of these financial statements.



Statement of Earnings

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
Revenue		
Portfolio management fees (Note 8)	\$ 3,781,499	\$ 3,001,818
Other revenue	167	1,254
	3,781,666	3,003,072
Expenses (Note 8)		
Salaries and related benefits	2,530,179	2,154,300
Legal	429,087	145,385
Computer support and licenses	236,515	181,403
Directors fees and expenses	184,069	165,869
Office lease	128,750	116,251
Consulting and research	124,202	88,724
Office	72,745	67,115
Executive search	25,000	-
Dues and memberships	22,818	17,403
Audit and accounting	21,693	23,189
Travel	15,994	1,725
Telephone	10,239	10,053
Insurance	6,000	6,000
Bank charges and interest	3,007	2,432
Advertising and promotion	1,669	1,535
Amortization of equipment and leasehold improvements	11,261	9,075
	3,823,228	2,990,459
Net earnings (loss) for the year	\$ (41,562)	\$ 12,613

The accompanying notes are an integral part of these financial statements.



Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
Cash provided by (used in):		
Operating activities		
Net earnings (loss) for the year	\$ (41,562)	\$ 12,613
Items not involving cash		
Amortization of equipment and leasehold improvements	11,261	9,075
Amortization of deferred lease inducement	(2,265)	(3,398)
	(32,566)	18,290
Changes in non-cash working capital balances		
Accounts receivable	(6,125)	(22,537)
Prepaid expenses	(18,093)	(50,984)
Accounts payable and accrued liabilities	91,587	351,887
Advances payable	300,000	-
	334,803	296,656
Investing activity		
Purchase of equipment and leasehold improvements	(20,141)	(7,901)
Net increase in cash	314,662	288,755
Cash – beginning of year	803,126	514,371
Cash – end of year	\$ 1,117,788	\$ 803,126

The accompanying notes are an integral part of these financial statements.



Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

1. INCORPORATION AND OPERATIONS

The Company was incorporated on 28 March 2003 under the provisions of the Business Corporations Act of British Columbia and commenced operations on that date.

The Company is a wholly owned subsidiary of The University of British Columbia (UBC). The Company manages four of UBC's investment funds and the Company is economically dependent on UBC as its only revenue source is the earning of portfolio management fees for its services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The significant accounting policies are detailed as follows:

(a) Financial instruments

(i) Measurement of financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Company subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and security deposits.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and advances payable.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

(iii) Transaction costs

The Company recognizes its transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.



Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

(b) Revenue recognition

Fees for services are recognized as revenue when the services are rendered and billed.

(c) Equipment

Equipment is recorded at cost and is being amortized over its estimated useful life on the following basis:

Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance
Computer software	100% Declining balance

(d) Leasehold improvements

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over six years.

(e) Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(f) Income taxes

The Company follows the future income taxes payable method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated tax consequences attributable to temporary differences between the amounts reported in the financial statements and their respective tax basis, using enacted income tax rates. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in operations in the period that the rate becomes substantially enacted.

(g) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and revenues and expenses and disclosure of contingent assets and liabilities at the balance sheet date. Accounts subject to estimates include amortization rates of equipment and recognition of accrued liabilities. Management believes that the estimates utilized in preparing the financial statements are prudent and reasonable; however, actual results could differ from those estimates.



Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Cost	Accumulated Amortization	2022 Net	2021 Net
Furniture and fixtures	\$104,067	\$98,242	\$5,825	\$7,281
Computer equipment	115,545	86,641	28,904	16,835
Leasehold improvements	84,004	80,489	3,515	5,248
	\$303,616	\$265,372	\$38,244	\$29,364

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Accounts payable and accrued liabilities (Note 8)	\$ 1,001,986	\$ 702,198
GST payable	35,976	18,427
Portfolio management fee credits payable	-	225,750
	\$ 1,037,963	\$ 946,376

5. ADVANCES PAYABLE

The advances payable to UBC are non-interest bearing and have no specific terms of repayment.

6. DEFERRED LEASE INDUCEMENT

	2022	2021
Office lease	\$ -	\$ 2,265

The Company received a lease inducement of \$16,988 as part of its office lease extension agreement in a prior year. This amount has been recorded as a deferred lease inducement and has been amortized as a reduction of rent expense on a straight-line basis over the term of the agreement. During the year, the deferred lease inducement has been fully amortized.

7. COMMITMENTS

The Company has operating leases for office premises which expires November 2026. The minimum annual lease payments are as follows:

2023	\$	118,716
2024		118,716
2025		119,731
2026		121,760
2027		81,173



Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

8. SHAREHOLDER TRANSACTIONS

(a) During the year the Company entered into the following transactions with UBC:

	2022		2021	
Portfolio management fees	\$	3,781,499	\$	3,001,818
Operating expenses	\$	16,500	\$	6,000
Advances payable	\$	300,000	\$	-

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

(b) Included in accounts receivable are amounts due from:

	2022		2021	
UBC	\$	41,128	\$	28,703

(c) Included in accounts payable are amounts due to:

	2022		2021	
UBC	\$	10,500	\$	227,264

9. SHARE CAPITAL

Authorized

100,000 common shares without par value

Issued

	2022		2021	
100 common shares	\$	100	\$	100



Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

10. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date, 31 March 2022.

(a) Liquidity risk

Liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities. The Company manages liquidity risk by maintaining adequate cash. There has been no change to this risk exposure from the prior year.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its cash and accounts receivable. Cash is in place with a major financial institution. The Company provides credit to its one customer, UBC, in the normal course of the operations. There has been no change to this risk exposure from the prior year.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to currency risk.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company incurs some expenses in U.S. dollars and is therefore exposed to foreign exchange fluctuations. The Company does not enter into any hedging instruments to manage its exposure to foreign currency risks. There has been no change to this risk exposure from the prior year.



Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

11. NON-CAPITAL LOSSES

The Company has non-capital losses carried forward of \$52,912 which are available to reduce the taxable income of future years. If not utilized, these non-capital losses will expire as follows:

2039	\$	1,779
2042		51,133
		<u>52,912</u>

12. IMPACT OF COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a public health emergency. This pandemic has caused an increase in economic uncertainty that has led to volatility in international markets and disrupted business operations around the world. The Company's primary sources of revenue are derived from management fees received from UBC. During the year, the Company continued to receive revenue from UBC. At the date of the Independent Auditors' Report, the COVID-19 pandemic is still ongoing but the Company's management does not anticipate that it will have a significant impact on future revenues, expenses or operations.



BOARD AND TEAM

UBC Investment Management Board of Directors

2021-2022

Lisa Pankratz, FCPA, FCA, CFA

Board Chair and Corporate Director

Gordon MacDougall, CFA

Corporate Director

Tom Bradley

Corporate Director

Chair and Co-Founder of Steadyhand Investment Funds

Orla Cousineau, LLB

Executive Director, Pensions

UBC Staff and Faculty Pension Plans

Amanda Farrell

Corporate Director

Alison Gould

Corporate Director

Chief Investment Officer Saskatchewan Teachers' Federation

Hyewon Kong, CFA

Corporate Director

Vice-President and Head of Responsible Investing, Investment Management Corporation of Ontario (IMCO)

Azim Lalani, CPA, CA

Corporate Director

Member of UBC Board of Governors

Chair of UBC Board of Governors Finance Committee

Yale Loh, CPA, CMA, CFA

UBC Treasurer

Rakesh Saraf, CFA

Corporate Director

UBC Investment Management Professional Team

The UBC Investment Management team works under the leadership of the President and Chief Executive Officer. While team members have individual areas of specialization, everyone takes collective ownership of the portfolios. This team approach, grounded in a culture of collaboration, inclusiveness and mutual respect, helps to foster best-in-class investment thinking and practices across the funds we manage on behalf of UBC.

Dawn Jia, CFA

President and Chief Executive Officer

Yasir Mallick, MFin, CPA, CA, CFA, CAIA

Senior Portfolio Manager

Varun Agrawal, MBA, CFA, CTP

Director

Sharon Siu, CFA, CAIA

Associate Director

Graham Sheppard, CFA

Associate Director

Josh Kruse, CFA, CAIA

Senior Investment Analyst

Jenny Lin, CPA, CMA

Manager, Operations

Jasper Deasey

Junior Investment Analyst

Advisors and service providers

Auditor

Rolfe, Benson LLP Chartered Professional Accountants

Custodians/Administrators

Northern Trust

Sun Life Financial

Legal Counsel

Norton Rose Fulbright Canada LLP

Lawson Lundell LLP

Performance Measurement Consultant

Northern Trust



UBC Investment Management

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